



TITLE: Augment Staff – Business Services

BRANCH/OFFICE: Administration / Business Services Office

SUMMARY: One (1) Office Assistant position to provide support services related to the increase in Business Services workload.

Over the last ten years, there has been an added workload, in part, from the increase in CalSTRS employees (25.6%), and members and benefit recipients (26.7%). During the same period, the staff in the Business Services Unit has increased from 8 to 10. The increased workload has far outweighed the augmentation of Business Services staff. At its current staffing level, the Business Services Section is frequently challenged to meet the level of customer service expected. This position will eliminate the need for one of two temporary positions that have been used to meet the increased needs.

TOTAL POSITIONS: 1.0

TOTAL COST: \$50,900 (one-time – \$ 7,900)
(permanent – \$43,000)



TITLE:

Office Assistant – Business Services

A. NATURE OF REQUEST:

The workload in Business Services Office has steadily increased over the years, and has resulted in hiring temporary staff to handle the additional workload. However, the workload is on going and not of a temporary nature, and should be performed by permanent staff. Therefore, this proposal requests one permanent position in the Business Services Office.

B. BACKGROUND/HISTORY:

The Business Services Office is responsible for the following functions:

Equipment and Supplies Management

- Warehouse/Supply management
- Equipment maintenance agreement
- Inventory control

Support Services

- Forms management
- Records management, including confidential destruct
- Mail/messenger Services, including mass mailings
- Reproduction Services
- Miscellaneous services, including setup/tear down for meetings and workshops, both on-site and off-site

Purchasing

- Solicit, evaluate and award bids
- Maintain quality control

Contract Maintenance

- Oversight/direction on Master Service Agreements and Interagency Agreements

A more recent responsibility is the Employer Institute. The Institute consists of workshops sponsored by CalSTRS for the employers of teachers. Workshops are held in various locations throughout the state.

Employer Institute

- Develop specifications
- Solicit, evaluate and award bids

The demand for these services has continued to escalate, in part, because of an increase of members, beneficiaries, and CalSTRS employees. There is also an added workload generated by CalSTRS-related legislation, which has increased as well. These all point to an increased demand in service, including duplicating, mailings, assembling of information packets, and purchase orders.

C. STATE LEVEL CONSIDERATIONS:

There is no impact on other state agencies. Primary impact will be on internal and external customers.



D. FACILITY/CAPITAL OUTLAY CONSIDERATIONS:

Facility costs have been augmented to support this position.

E. JUSTIFICATION:

In order to sustain the level of service provided by the Business Services Office, the Office's capabilities will require strengthening. The addition of a permanent position will help the Office in meeting the ever-increasing demands without comprising service, or being dependent on temporary help.

During the last ten years, there was an increase in CalSTRS employees (25.6%), and members and benefit recipients (26.7%). During the same period, the staff in the Business Services Unit has increased from 8 to 10 (25%). The increased workload has far outweighed the augmentation of Business Services staff. The following are examples of workload increase for the most recent fiscal year as compared to the prior year:

35,000 service/disability retirement packets were assembled, **a 35% increase**

5 million copies were requested from duplication services, **a 20% increase**

400,000+ letters and packages were metered, **a 7% increase**

95,000 publications/booklets were mailed to schools and members, **a 21% increase**

1,748 purchase orders worth \$8,000,000 were processed, **a 38% increase**

In addition to the regularly scheduled workload, there were 16 mass mailing efforts comprising 80,000 mailings that were generated by new legislation implementation; an emergency facility was provided for the State Treasurer's Office; over 250 new employee badges were issued, and other support services.

This upward trend has continued during the last several years, and is not expected to decline.

F. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

The alternative to adding permanent staff is to continue to use temporary help. However, this is contrary to prudent personnel management policy by using temporary staff to perform work of a permanent nature.

G. TIMETABLE:

April-June, 2002	Recruit and select Office Assistant
July 2002	Hire Office Assistant

H. RECOMMENDATION:

Approve one permanent position, Office Assistant, in the Business Services Office.



TITLE: Investment Program Expansion

BRANCH/OFFICE: Investments

SUMMARY: This BCP requests funding for seven positions based on increased workload in various programs within the Investment Branch. Three Investment Officer II's, one Investment Officer I, one Associate Investment Officer, one Assistant Investment Officer and one Staff Information Services Analyst positions are being requested. These positions will concentrate on management of the mortgage portfolio, assist in the monitoring of the high yield managers, manage and monitor the workload created by the increased number of real estate advisors and correlated number of properties, manage the co-investment and secondary portfolios and provide expert consultation on the various investment required technology needs.

TOTAL POSITIONS: 7.0

TOTAL COST: \$566,700 (permanent funding)



TITLE

Investment Program Expansion

A. NATURE OF REQUEST:

To establish six (6) full time permanent positions at various levels within the Investment Officer classification series and one Staff Information Services Analyst for increased workload due to enhancements and full implementation of new programs. Following are the staffing requirements:

- 1) Investment Officer I – Increased workload in managing the Mortgage Backed Securities portfolio
- 2) Asst. Investment Officer – Assist in monitoring external High Yield Managers
- 3) Investment Officer II (2) – Increased workload in Alternative Investments in secondary interests and co-investments
- 4) Investment Officer II – Increased workload in Real Estate/more external managers and increased activity
- 5) Associate Investment Officer – Increased workload in Real Estate
- 6) Staff Information Services Analyst – Increased workload with increased staff and program requirements

B. BACKGROUND/HISTORY:

The current value of the CalSTRS portfolio is in excess of \$102 billion. CalSTRS is the third largest pension fund in the U.S. To manage and maintain this portfolio CalSTRS must pursue a plan that maximizes the return on the portfolio, while minimizing risk. The current asset allocation targets are as follows:

Domestic Equity	38%
International Equity	25%
Fixed Income	26%
Real Estate Equity	5%
Alternative Investment	5%
Cash	1%

The CalSTRS portfolio is highly diversified. The activity in all asset categories has increased and will continue to increase in the following areas:

- 1) The mortgage backed securities portfolio is currently valued at approximately \$8 billion with over 2200 securities. A secondary portfolio manager is required based on the mere size and complexity of this portfolio.
- 2) High yield managers will be retained in the current fiscal year, which will require assistance in monitoring the selected managers with respect to investment objectives and guidelines.



- 3) The investment in secondary interests in limited partnerships and the activity in the co-investment program are expected to increase which will lead to additional workload.
- 4) CalSTRS currently owns over 100 real estate properties with eight advisory relationships. Current staffing is not ideal with each investment officer responsible for four advisory relationships and 50 properties. The ideal ratio of investment officer to advisors is 1:2.5 and investment officer to properties is 1:25. An additional position will bring the ratio into alignment.
- 5) The increase in the properties held in the real estate portfolio necessitates additional support at the associate level to coordinate monthly, quarterly and annual reporting requirements and issues with the external advisors.
- 6) The increase in staffing and sophistication of systems requires a Staff Information Systems Analyst. CalSTRS has technology relationships with over 15 vendors who supply information or services to the Investment Officers who are responsible for managing or monitoring various portfolios. In addition new services are continually being reviewed as potential service additions.

C. STATE LEVEL CONSIDERATIONS:

None

D. FACILITY/CAPITAL OUTLAY CONSIDERATIONS:

Facility Operations within operating expenses have been augmented to support these positions.

E. JUSTIFICATION:

If the positions are not approved the portfolio could be at risk. It is necessary to have adequate staffing to assure the portfolio is properly managed and/or monitored.

F. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

- 1) Contract with external entities to perform the functions. Not feasible, as there are civil service classifications that will meet the requirements.
- 2) Disapprove the positions. Not feasible, as the functions will not be performed and could put the \$102 billion portfolio at risk.
- 3) Authorize the positions.

G. TIMETABLE:



July 1, 2002

H. RECOMMENDATION:

Alternative #3. Authorize the seven requested positions effective July 1, 2002.



TITLE:	Website Financial Education
BRANCH/OFFICE:	Client Benefits & Services Branch/Financial Education Program
SUMMARY:	<p>This proposal would coordinate the various methods used by CalSTRS to provide benefit related information to its members and present it as a Comprehensive Financial Planning tool on the Website.</p> <p>CalSTRS currently offers benefit related information in a variety of ways, including face-to-face interviews, financial education seminars, phone services and the Website. With the strategy of "Financial Education" in mind, the Website would be used to provide a forum for financial education to all members. Considering information deemed essential to effective financial planning, much of which is already on the Website, a comprehensive financial planning guide would be offered. Using a hierarchy approach, CalSTRS benefits (DB, CB, DBS and VIP) and the related calculator would serve as the foundation. The next level of discussion would cover social security and health care (Medicare included) considerations. The third level would include traditional discussion to assist members to identify the financial needs during retirement. The conclusionary step would be to identify the "gap".</p> <p>Advantages:</p> <ul style="list-style-type: none">• More efficient use of the Website• Current financial planning seminars reach 2,000 members. This package would be available to all members.• Can reach teachers <u>early</u> in their careers• Convenient, easy to follow & available to members at all times• Easy to modify, consistent source of information
TOTAL POSITIONS:	0.0
TOTAL COST:	\$144,000 one-time



TITLE Financial Education Enhancements

A. NATURE OF REQUEST: Financial Education Program (FEP) workshops provide members 35 years and older information regarding CalSTRS benefits, financial planning, and applicable Social Security provisions. CalSTRS presented 40 financial education program workshops around the state during the 2000-2001 fiscal year. The 40 workshops presented this information to a total of 3,000 members. CalSTRS has over 400,000 active members, and we are currently reaching less than one percent (.0075%) with the CalSTRS FEP Workshops. As it stands, current FEP resources (staffing, materials, and speakers) are able to maintain a maximum of 40 workshops for the upcoming fiscal year.

If this BCP is approved, CalSTRS would be able to provide coordinating educational financial planning information and resources via workshops, written materials, audio visual and the Internet. This project would considerably increase our members and participants involvement in basic financial principles. By creating a link from the CalSTRS Website to already developed and available financial planning tools on the web, the CalSTRS Financial Education Program (FEP) would quickly provide growing accessibility to our mid career members. Written and outreach efforts would reinforce and support this direct link from CalSTRS, providing several safe and informative avenues for our members to start looking at their "entire" retirement picture, and at a low cost per person.

As a means to provide this expanded and accessible service in a prompt manner, staff would develop a team partnering with representatives from various groups, associations, agencies and staff to help develop appropriate and timely information, resources and tools for the CalSTRS web link. This team would identify already-developed and used sources and inform the team of materials that are in use by the various representatives. This would avoid any duplication of materials or services already available to our mid career members. FEP could "kick off" these new and expanded services quickly giving our members the tools they need to successfully create a strong financial plan.

B. BACKGROUND/HISTORY: A 1998 survey conducted by the International Society for Certified Benefit Specialists indicated that the top priority for employers is to provide investment education to employees. Over the past three years, the number of employers offering a financial education program has increased three hundred percent.

Some of the industry trends that are driving employers' interest in financial education are:

- ◆ Financially ill-prepared employees;
- ◆ Employee expectations,
- ◆ Employees' awareness of increasing benefits; and
- ◆ Studies show that 3 out of 10 pre-retirees saved less than \$10,000 for retirement.



Employee expectations:

- ◆ Employees are demanding convenient ways of attaining education on financial and retirement education.
- ◆ 80% of employees confirmed that they want help with financial decisions.
- ◆ Employees look to their employers to make it accessible.
- ◆ 3 out of 4 employees say they are open to the idea of purchasing financial services at work.

Employee awareness of benefits:

- ◆ Employers who sponsor programs benefit from the emphasis on shared responsibility and employee self-reliance for retirement needs.
- ◆ Financial education programs reinforce the value of existing retirement benefit programs.

Most of CalSTRS' Defined Benefit (DB) Program and Cash Balance (CB) Benefit Program members/participants do not understand the retirement benefits provided under their programs. Consequently, members may make poor decisions such as choosing an inappropriate option, withdrawing contributions instead of receiving a life-long retirement allowance, or not participating in a supplemental savings plan such as CalSTRS Voluntary Investment Program (403(b) plan). However, even when Defined Benefit Program members are aware of the type of benefits they are entitled to, members do not fully appreciate the value of those benefits or understand which benefit serves them best.

CalSTRS has provided CalSTRS membership basic financial education and retirement planning information. Chapter 656, Statutes of 1994, AB-3407 gave CalSTRS the authority to provide members with a mid career information program. Members receive information and education on subjects such as financial and retirement planning, Social Security, and tax and legal issues through printed material and workshops. In 1998, the FEP's focus expanded services to members beginning a career, members who are more than ten years from retirement, or those who are considering these topics for the first time. Members learn the value of early retirement planning from these workshops and access updated information on benefits as well as new financial planning strategies. CalSTRS presented 40 financial education program workshops statewide during the 2000-2001 fiscal year. The workshops presented this information to a total of 3,000 members, serving less than one percent of the membership. Limited resources preclude expansion of these workshops, so it is essential to find alternatives to support and expand existing programs.

Having a direct website link from CalSTRS to an abundance of existing useful and educational financial planning tools would provide a user friendly and cost effective means of accessibility of the FEP program.



C. STATE LEVEL CONSIDERATIONS: This BCP is consistent with the following CalSTRS goals, objective, business plan and policies to:

Goal 2. Continuously improve the delivery of benefits, products and services

Objective 2.1 All customers have comprehensive access to information and services at their convenience through a combination of media by June 30, 2003.

D. FACILITY/CAPITAL OUTLAY CONSIDERATIONS: None.

E. JUSTIFICATION: If approved, staff would create a team to assist in the development of a web-based financial education and retirement planning information module (an off the shelf software package that could be customized for CalSTRS) and place it on the CalSTRS Web site. The web-based program will contain components that would complement our financial education workshops. It would be developed as an easy-to-learn module, which allows CalSTRS members to locate information and resources appropriate to their own individual needs. Appropriate web site links would be available to members via the CalSTRS module allowing members an "any time" chance to further investigate web-based financial planning resources.

Permanent Funding for the Web-Based Program

Permanent funding for the web-based CalSTRS module would allow CalSTRS to provide innovative, up-to-date information to all of CalSTRS customers. New content and features will be continuously reviewed. This information will be maintained and updated by FEP web site staff.

The use of a financial education web page has become a popular industry trend with public benefit specialists. Web sites like the National Council on Teacher Retirement (NCTR) have web-based financial planning programs which could be adapted to meet CalSTRS member's financial planning needs.

It is critical to secure permanent funding beginning in FY 2002/2003 is necessary to be able to develop and maintain the CalSTRS Financial Education web page. This page is not currently funded. Funds are also required for research and development to provide enhanced services for the web page. Maintenance includes training and installing new hardware and software, as well as troubleshooting.

F. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

Status Quo (Financial Education Program Workshops)

In-house staff presents FEP workshops. Staff has been able to deliver 40 workshops for the past two years. Each workshop conducted has an average of 65 members in attendance. Staffing levels preclude an increase in FEP workshops. Currently, CalSTRS is only reaching 1% of its active members.

Create a team to develop a CalSTRS financial planning web page and related links

If approved, staff would create a team to assist in the development of a web-based financial education and retirement planning web page (an off the shelf software package that could be



customized for CalSTRS) and place it on the CalSTRS Web site. The web-based program will contain components that would complement our financial education workshops. It would be developed as an easy-to-learn module, which allows CalSTRS members to locate information and resources appropriate to their own individual needs. Appropriate web site links would be available as well to members via the CalSTRS module allowing members an “any time” chance to further investigate web-based financial planning resources. The CalSTRS financial planning web page and related links should be developed in two phases.

G. TIMETABLE: Phase I Development: Financial planning resources for the 25 – 55 year old member population.

Create CalSTRS Financial Planning Enhancement Team:

Recruit various national, state, and local level individuals to represent the many stakeholders within the CalSTRS population; such as in-house staff, RCS counselors, CTA, FEP financial planners, Department of Aging's HICAP program, selected active CalSTRS members, Social Security, etc.

This team would evaluate current web-related resources available and give information on services that each of the above mentioned entities would be able to provide as well. The team would organize these resources into a comprehensive web page with related links. Missing elements that the team identifies as useful tools for our members would be evaluated and developed accordingly.

Team members would attend the National Pre-Retirement Education Association Annual Conference. This would give a one-stop opportunity for our team to learn about nationally-available resources as well as learn of similar developments within other state public pension systems.

Revision of Social Security video:

While the team is gathering information for the web page, materials already available should be kept current and accurate. Our Social Security video is one of the best and most effective tools in providing information to members on how Social Security is going to affect their benefits. However, this information is dated and needs revisions. Production and printing of this video needs to be integrated with web page and related links. CalSTRS would utilize the site in Group Appointment workshops, Pre-Retirement workshops, and Financial Education Workshops. This is the best way to introduce the use of the site to the growing number of older employees who will retire over the next six to ten years, since that population of adults is less likely to utilize web-based training on their own.

CalSTRS would be able to receive feedback from workshop participants and make adjustments and additions accordingly.

Phase II Development

Development of Basic financial planning worksheets, educational components, and additional resources.

Develop financial planning booklet to complement web site:

The booklet would be a self-study resource that could be incorporated with the one-on-one counseling sessions with the Regional Counseling Services, or be downloaded in PDF format when a



member uses the site. This enhances the learning experience, plus can promote the CalSTRS web page to members.

Booklets could be created with a partnership of a pre-retirement education company that has these resources already developed in a printed format. CalSTRS could incorporate our benefits and member information into this booklet giving members one place to go for their financial planning and benefits. This booklet would complement the web site, giving the member consistent benefit and financial planning information as well as an option to utilize these tools at any given time.

Development of CalSTRS Benefit overview video:

This video would give CalSTRS members the opportunity to have an overview of CalSTRS benefits, potentially giving members enough information so they can begin thinking of retirement or pre-retirement planning. Once completed, the video would be digitized to go on the CalSTRS website, providing our members with even more tools to learn about their pre-retirement plans. It would be accessible to a very large audience and utilized at a minimal cost.

Costs:

All cost estimates provided are tentative, and subject to change with project specification changes.

Phase I Cost Estimates:

The cost estimate for the financial planning web page and related links is \$46,000.

The cost estimate for the Social Security video update is \$7,000.

The cost estimate for the train the trainer program for Regional Counseling Services is \$9,000 (Includes three hands-on train the trainer sessions at \$3,000, a maximum 25 people each session, 60-75 workbooks at \$20, and estimated travel costs).

Phase II Cost Estimates:

The cost estimate for the printed booklet, including planning worksheets and educational components and additional resources is \$35,000.

The cost estimate for the CalSTRS benefit overview video is \$37,000.

First Year cost of development and training costs:

\$144,000 or 38 cents per active member.

On-Going maintenance costs:

\$10,000 - \$15,000 per year.

After an information web page is developed, the Program will be maintained on the CalSTRS web site. Advantages that the web-based program has over our face to face workshops and interviews is that individual can learn at their own pace, it is more accessible and convenient to a larger number of members, and can be provided at a low cost per member.



H. RECOMMENDATION: Staff recommends Alternative Number 2. CalSTRS should create a team and develop a web-based financial education and member benefits information page for the CalSTRS Web site: In-house staff will maintain the web page.

Staff also recommends that this program should be a fully-integrated program. In other words, the same material offered on the web page should also be offered in a printed self-study, and video format so learners can choose the medium that works best for their learning style and life's situation. In addition, the site should also be designed to measure the results that it produces so staff can more effectively adapt and develop material in the future (e-based/printed surveys). Once both phases of the Web-Based Financial Education and Member Benefits page are implemented, materials should be integrated into the RCS/FEP workshops to provide members with information that is consistent with all resource mediums.



State Teachers' Retirement System
Budget Change Proposal 2002-2003

BCP No. 4

TITLE: CSUS Student Contract Augmentation

BRANCH/OFFICE: Information and Financial Systems / Accounting

SUMMARY: The Accounting Division CSUS student assistants allow flexibility to manage uneven workloads that do not require full time employees. Additional funds are needed to increase the number of student interns within the division. The ability to hire qualified accounting civil service employees on flexible part time basis does not exist. In addition to meeting the immediate needs of the workload, the students are learning how to apply their college theory in a practical work environment. This will promote the reputation of the Accounting Division among the student candidate pool leading to better employees available for future entry-level positions. The consequence of not increasing the budget for student assistants could be the inability to meet unpredictable workload in a timely manner. Additionally, the reputation of the Accounting Division and CalSTRS will not be enhanced among the students of CSUS which will not increase the candidate pool for future positions within CalSTRS.

TOTAL POSITIONS: 0.0

TOTAL COST: \$30,000 (one-time – \$00,000)
(permanent – \$30,000)



TITLE

CSUS Student Contract Augmentation

A. NATURE OF REQUEST:

Workloads of a cyclical nature and non-permanent workloads due to the implementation of START have increased the overall workload of the Accounting Division. The current contract is insufficient to meet the need and additional contracting capabilities are necessary to meet this challenge.

There is no impact to other State departments.

B. BACKGROUND/HISTORY:

The Accounting Division began using CSUS student assistants in January 2001 to allow flexibility to manage uneven workloads that do not require full time employees. This has proved to be a very successful to meet this need. The ability to hire qualified accounting civil service employees on flexible part time basis does not exist.

In addition to meeting the immediate needs of the workload, the students are learning how to apply their college theory in a practical work environment. This is promoting the reputation of the Accounting Division among the student candidate pool.

C. STATE LEVEL CONSIDERATIONS:

There are no state level considerations.

D. FACILITY/CAPITAL OUTLAY CONSIDERATIONS:

There are no facility or capitol outlay considerations raised by this Proposal, the students will occupy existing student workspace.

E. JUSTIFICATION:

This proposal fulfils CalSTRS' goals and objectives to provide a supportive organizational environment that is professional, productive and innovative, and by June 30, 2003, 90% of internal customers rate their internal suppliers as high or very high in productivity areas by maintaining the ability to complete the unpredictable workload in the Accounting Division in an accurate and timely manner.

F. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

Alternative 1.



Continue with existing staffing level, this alternative would result in a negative impact to CalSTRS' goals to provide a supportive organizational environment that is professional, productive and innovative.

Alternative 2.

Overtime, for the past six years, CalSTRS has used overtime to maintain the ever-increasing workload. Prolonged use of overtime can be counterproductive, since working extra hours adds undue stress to existing workloads.

Alternative 3.

Augment IFSB Accounting Division CSUS Student Contract, this is the preferred alternative, as it provides the necessary level of service to which CalSTRS has committed itself. The additional student interns provide additional flexibility to cover peak period workloads

G. TIMETABLE:

Appropriate \$30,000 from the Teachers' Retirement Fund effective July 1, 2002 to fund the contract augmentation.

H. RECOMMENDATION:

Alternative 3, augment Information and Financial Systems Branch Accounting Division CSUS Foundation Student Contract in the 2002/2003 fiscal year.



State Teachers' Retirement System
Budget Change Proposal 2002-2003

BCP No. 5

TITLE:	Contract Assistance for General Ledger Automated Interface
BRANCH/OFFICE:	Information and Financial Systems / Accounting

SUMMARY: Contract assistance in the implementation of the interface of the new General Ledger system with START. Assist in the development of automated downloaded information from START to the General Ledger. The consequence of not implementing this position will be the delay of the automated link of the General Ledger with START, and subsequently the risk of error in the financial reporting of the condition of the Teachers Retirement Fund and the inability to provide timely reports of the financial condition of CalSTRS. Additionally the purchase of additional functionality integrated with the General Ledger system for automated check writing capabilities.

TOTAL POSITIONS: 0.0

TOTAL COST: \$154,300 (one-time – \$154,300)
(permanent – \$000,000)



TITLE

Contract Assistance for General Ledger automated interface

A. NATURE OF REQUEST:

This BCP requests contract services to enable functionality of an automated interface for the CalSTRS General Ledger system. When developed and implemented, the process will allow accounting transactions from the mainframe system (START) to feed automatically into the general ledger system (network software) for the purposes of tracking and financial reporting.

B. BACKGROUND/HISTORY:

For many years, the CalSTRS General Ledger has been a semi-manual process, with entries being keyed by hand. With the installation of new software in the Fall of 2001, the ability to import financial transactions directly from the mainframe (START) system is possible.

Also, with the advent of improvements in technology, it is now possible to automate formerly manual processes, such as check writing, taking it out of the realm of manual processing (typing) and decreasing margin for error and spoiled check stock.

C. STATE LEVEL CONSIDERATIONS:

The automation of general ledger entries may positively affect the agencies that CalSTRS reports to, such as State Controller's Office. It should increase accuracy and the ability to provide information on a timelier basis. There will be no financial impact on other state agencies.

D. FACILITY/CAPITAL OUTLAY CONSIDERATIONS:

This BCP should have no effect on Facility or Capital Outlay

E. JUSTIFICATION:

The General Ledger and its reporting capabilities are the keystone to providing accurate information to CALSTRS members, Legislature, Actuaries, Auditors, and State and other Government agencies. The consequences of incorrect recording of revenue and expenditures can adversely affect the stability of the fund and the liabilities to the agency. An automated interface between the mainframe and the general ledger will ensure that transactions are accurately recorded and that the two systems remain in synchronization and are reporting consistent data.

Many person hours may be saved by not having to manually gather and input transactions. Ensured accuracy will contribute to easier, cleaner reconciliations, both internally and externally.



With automated check writing, many hours may be saved manually typing and reviewing checks sent from the agency. Check tracking will also be made easier because the check transactions will automatically flow to the general ledger and its reporting.

F. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

Alternative 1.

Use existing staff. Existing staff does not possess the expertise to effectively put these processes in place in a timely manner.

Alternative 2. Train existing staff. Training existing staff to automate the above-mentioned processes is both cost and time prohibited.

Alternative 3.

Contract services of qualified professionals. Contracting should prove to be a more cost effective way to reach the goals of automating the interface. The contractor will have the experience in providing a better understanding of the components involved in making this project function and will be able to provide any programming that may be required. They should also be able to provide the installation and or/coordination of adding additional modules or interfaces to the general ledger for the check writing capabilities.

G. TIMETABLE:

Appropriate \$154,300 from the Teachers' Retirement Fund effective July 1, 2002 to fund the contracting and installation of the GL interface.

H. RECOMMENDATION:

Alternative 3. Contract services of qualified professionals. It not only provides a more efficient way of doing business, but should prove to be more cost and time effective while improving the accuracy of record keeping and financial reporting.



TITLE: Supervisor of Cashiering and Contributions Accounting

BRANCH/OFFICE: Information and Financial Systems / Accounting

SUMMARY: With the increasing complexity of the Cashiering and Contribution Accounting supervision at the Accounting Administrator 1 level is necessary to insure the financial integrity of the retirement system. Failure to establish this position will result in incorrect asset allocations, incorrect program valuations, and financial misrepresentation of the agency's multiple funds and programs.

The complexity of the Cashiering and Contribution Accounting section has increased dramatically in recent years due to new legislation and the growth of the system. First the level of responsibility of the positions and the classifications has increased from the clerical accounting level to complex professional analytical accounting positions. The creation of the Medicare program and replacement benefits program has increased the complexity of the cash receipting area by requiring analysis prior to directing the deposit in the appropriate fund. Additionally the number of staff has grown due to new programs of increasingly complex nature. Also the creation of the Defined Benefit Supplement program requires analysis of the contributions to have their investment properly accounted for. The reconciliation of these areas is very complex and the addition of the system support analyst for the START system have increased the level of the employees to the professional accountant level which requires supervision by an Accounting Administrator 1.

TOTAL POSITIONS: 1.0

TOTAL COST: \$91,000 (one-time – \$ 8,200)
(permanent – \$82,800)



TITLE

Supervisor/Manager over the Cashiering and Contribution Accounting business areas.

A. NATURE OF REQUEST:

Recent legislative mandates have required CalSTRS to implement programs dealing with contribution/asset allocation. A supervisor/manager is required over the Cashiering and Contribution areas to oversee the implementation and subsequent maintenance of contribution allocation methodology for both the Defined Benefit Supplement and the Teachers' Health Benefit Programs.

B. BACKGROUND/HISTORY:

The passage of recent legislation (AB1509-Defined Benefit Supplement Program and SB1435-Teachers' Health Benefit Fund) has mandated CalSTRS to incorporate methodology to capture contributions and redirect to their respective funds/programs. This requires complex reconciliations between the Contribution Accounting, Investment Operations, and Reporting Interaction areas. Additionally, AB2700 will require further adoption of contribution allocation methodology to determine the amount of additional contributions to be redirected to the DBSP. These changes have created the necessity for the establishment of one Accounting Administrator 1 (Supervisor) to oversee the implementation and on-going maintenance of these programs.

C. STATE LEVEL CONSIDERATIONS:

There are no State Level Considerations.

D. FACILITY/CAPITAL OUTLAY CONSIDERATIONS:

One Accounting Administrator 1 (Supervisor) office space will be required.

E. JUSTIFICATION:

Since 1995, the complexity of the Cashiering and Contribution Accounting area has increased dramatically due to growth in member population and legislatively mandated new programs & funds. The Defined Benefit program receipts have grown to over \$4 billion (a 44% increase). There are now 420,000 active member benefit contribution accounts (a 28% increase). The Cash Balance Program, established in 1997, deposits \$5 million annually and add another 10,000 member accounts. In 2000/01 legislation created the Defined Benefit Supplement Program and created over 400,000 financial accounts--one for each active member. Additionally, two new funds were activated in 2000/01. The Teacher's Health Benefit Fund separates contributions and member fees for payment of certain retired teachers' Medicare premiums to the Federal Government. The Teacher's Replacement Benefit Fund collects funds to cover benefit amounts that exceed the IRC earnings limit.

The level of fiscal responsibility for overseeing contribution collections, distribution to funds and allocation to programs and member accounts, has increased from clerical to professional. This



proposal is required to insure the continued financial integrity of the System and to meet CalSTRS' goals and objectives of maintaining external and internal customer satisfaction by completing required workload commitments timely and accurately.

F. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

Alternative 1.

Continue with the existing staffing level. This increases the risk of inappropriate distribution of cash between programs and funds and incorrect allocation of retirement plan(s) assets for investment. This could result in: failure to fully implement fiscal programs, possible misrepresentation of actuarial program valuations, and misstatements of members financial and retirement accounts. These conditions would negatively impact service to the members and could result in possible client litigation.

Alternative 2.

Require existing staff to work overtime. This does not provide the direction and oversight of staff at the level required. Sustained use of overtime could lead to staff burn out. Both of these factors increases the potential for errors and the risks identified in Alternative #1 above.

Alternative 3.

Establish one Accounting Administrator 1 (Supervisor) over the Cashiering and Contribution Accounting business areas. This will insure all requirements are met and that staff are given the appropriate direction to meet all program fiscal and financial reporting and actuarial requirements.

G. TIMETABLE:

Appropriate \$91,000 (\$8,800 one time cost and \$82,200 permanent), effective 7/1/2002, to fund the required position.

H. RECOMMENDATION:

Alternative 3. Establish one Accounting Administrator 1(Supervisor) over the Cashiering and Contribution Accounting areas.



State Teachers' Retirement System
Budget Change Proposal 2002-2003

BCP No. 7A

TITLE: PC Software Upgrade

BRANCH/OFFICE: Information and Financial Systems Branch
Information Technology Services Division

SUMMARY: Working on a consistent operating platform using consistent software applications is essential in our diverse working environment. It is also important to remain current with our software applications to ensure seamless interaction between all CalSTRS users and outside contacts. To achieve this goal, we need to upgrade all CalSTRS pc s to the current Windows operating system and to Microsoft Office 2000 for personal productivity applications. Currently, CalSTRS desktop pcs use three different operating systems: Windows 98, Windows NT and Windows 2000. While Windows '98 and Windows 2000 support the "plug and play" technology, Windows NT does not, which has a direct impact on the types of peripherals that are compatible with that system (such as scanners or printers). The Information Technology Liaison (ITL) must be familiar with the nuances and ambiguities for those systems he/she supports. The same arguments hold true for the business applications. While the Microsoft standard is consistently deployed for word processing, spreadsheet and other standard business software, the version used is not. Also, some areas have decided install the entire suite of applications, while others pick and choose only those applications needed in their areas. Again, differences in the versions and the types of software installed add layers of support for technical staff, as well as training issues for end-users.

TOTAL POSITIONS: 0.0

TOTAL COST: \$430,000 (one-time – \$430,000)
(permanent – \$000,000)



TITLE

PC and Network Software Upgrade

A. NATURE OF REQUEST:

The establishment of software standards for the computer desktop is an important step in building a robust and stable computing infrastructure. Software standards ensure compatibility among the business applications used by CalSTRS staff, provides a consistent platform to launch other Departmental projects, and dramatically reduces the amount of intervention required by technical staff to support these systems. It also provides a mechanism to assist in complying with software licensing regulations.

Training staff becomes much easier when there is a consistent base of applications shared by all staff, as well as transfer of knowledge capability.

CalSTRS can more efficiently plan, design and implement departmental applications with a standard base of workstations to build on.

B. BACKGROUND/HISTORY:

Decisions for software procurements, implementation and support are typically made at the Branch or Division level within CalSTRS. The budgeting approach for software and upgrades can vary dramatically among these areas, depending on several issues: the comfort level of managers about Information Technology (IT) issues in general; the credibility of technical support staff with their managers and their influence regarding IT decisions; and competing priorities for the budget based on other program needs.

As a result, some areas keep abreast of the latest software, upgrades and licensing issues, while others make do with software several versions out of date. It is not uncommon to have several different versions of software even within the same Branch or Division.

This complicates not only the support infrastructure (each different software version adds a layer of complexity for support) but impacts the Department as a whole when making decisions involving corporate-wide projects.

Adherence to software licensing regulations is another consideration. Currently, tracking the licensing for each desktop pc is often a moving target, with software procurements done intermittently for small groups (if at all). Consolidated procurements done at regular intervals for the standard set of software would ensure compliance with licensing regulations.

This BCP addresses the need for standard software licensing at both the operating system and the business application levels. Currently, CalSTRS desktop pcs use three different operating systems: Windows 98, Windows NT and Windows 2000. While Windows '98 and Windows 2000 support the "plug and play" technology, Windows NT does not, which has a direct impact on the types of peripherals that are compatible with that system (such as scanners or printers). The Information



Technology Liaison (ITL) must be familiar with the nuances and ambiguities for those systems he/she supports.

The same arguments hold true for the business applications. While the Microsoft standard is consistently deployed for word processing, spreadsheet and other standard business software, the version used is not. Also, some areas have decided to install the entire suite of applications, while others pick and choose only those applications needed in their areas. Again, differences in the versions and the types of software installed add layers of support for technical staff, as well as training issues for end-users.

C. STATE LEVEL CONSIDERATIONS:

There are no state level considerations.

D. FACILITY/CAPITAL OUTLAY CONSIDERATIONS:

There are no facility/capital outlay considerations.

E. JUSTIFICATION:

Link to CalSTRS Business Plan:

- Provide a supportive organizational environment that is professional, supportive and innovative.
- Continuous improvement in the delivery of benefits and services.

Software standardization promotes a stable infrastructure to move forward with IT projects. Before a departmentwide project can be implemented, it must be tested to ensure compatibility with our environment and systems. Having a standard software base streamlines the testing process and reduces potential conflicts with older systems.

The role of the ITL varies within each Branch or Division. Most ITLs also serve as business analysts in addition to their technical support duties. Standardization of software for both the operating system and the business applications should significantly reduce time spent now resolving software incompatibilities or conflicts.

Upgrading software for the desktop operating system and the Microsoft Office suite of applications would assist license tracking and help ensure compliance with software licensing regulations.



F. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

1. Do Nothing

Continue to maintain multiple versions of desktop software.

2. Upgrade software on all desktop pcs to a standard current version.

Purchase and install software for all CalSTRS pcs to maintain a standard version of the desktop operating system and the Microsoft Office suite of applications.

G. TIMETABLE:

<i>Event/Task</i>	<i>Time to Completion</i>
Inventory current desktops to determine what upgrades needed	FY 01/02
Train technical staff to support new systems (if needed)	FY 01/02
Procure upgrades	July 2002
Train end-users (if needed)	July 2002
Install software upgrades	August 2002

H. RECOMMENDATION:

The recommended alternative is to upgrade software on all desktop pcs to a standard current version. The amount of funding requested is \$430,000.



State Teachers' Retirement System
Budget Change Proposal 2002-2003

BCP No. 7B

TITLE: Novell Netware to Microsoft Windows 2000 Migration

BRANCH/OFFICE: Information & Financial Systems / Information Technology Services

SUMMARY: Provide one-time funding to upgrade equipment necessary for migrating the current Novell Netware operating system architecture to Microsoft Windows 2000. This will reduce overhead by moving us closer to the STRSNet strategy of maintaining one network operating system. This includes: moving to a highly reliable Windows 2000 Cluster server, achieving 99.99% uptime, adding equipment rack space to the server room, and implementing a Storage Area Network (SAN), in support of users directories, commonly shared data, and printing.

TOTAL POSITIONS: 0.0

TOTAL COST: \$110,000 (one-time – \$110,000)
(permanent – \$000,000)



TITLE

Novell Netware to Windows 2000 Migration

A. NATURE OF REQUEST:

CALSTRS wishes to consolidate to one network operating system (NOS) environment for the STRSNet network. This will reduce operating costs and the need for the Novell Netware skill set. One-time funding is needed to upgrade equipment necessary for migrating the current Novell Netware operating system architecture to Microsoft Windows 2000. This includes: moving to a highly reliable Windows 2000 Cluster server, achieving 99.99% uptime, adding equipment rack space to the server room, and implementing a Storage Area Network (SAN), in support of users directories, commonly shared data, and printing.

CalSTRS can more efficiently plan, design and implement solutions on the STRSNET infrastructure with a standard operating system.

B. BACKGROUND/HISTORY:

At one time Novell had a commanding lead in the network operating business. As a result many organizations built their networks on the Novell platform. It was the most reliable and the population of potential staff with Novell skills was high.

Over time, Microsoft Windows NT, and now its successor version Windows 2000, has become the dominant operating system in the local area network arena. The decision of most state departments to standardize on Microsoft products on the desktop, and the compatibility resulting from having both the network operating system and the desktop operating system from the same family, has led to the rise in the use of Microsoft Windows as a network platform. In addition, a number of new features designed to capitalize on this relationship was greatly enhanced with the introduction to Windows 2000. At the same time Novell market share has been decreasing, and incompatibilities between the two environments has increased.

The difficulty in maintaining a network with two operating system platforms has also increased as a result. This BCP addresses the need to migrate to a single network operating system.

C. STATE LEVEL CONSIDERATIONS:

There are no state level considerations.

D. FACILITY/CAPITAL OUTLAY CONSIDERATIONS:

There are no facility/capital outlay considerations.



E. JUSTIFICATION:

Link to CalSTRS Business Plan:

- Provide a supportive organizational environment that is professional, supportive and innovative.
- Continuous improvement in the delivery of benefits and services.

Software standardization promotes a stable infrastructure to move forward with IT projects. Maintaining the two NOS environments requires staff maintain two separate skill sets. In addition, any new application placed on the network can present issues as it may work fine in the operating system for the server it runs on, but may conflict in some way out on the network with the other operating system. Over time as more software vendors focus their attention only on the Microsoft environment, this problem will continue to grow.

The features that Windows 2000 offers in conjunction with Windows workstations includes configuration and asset management tools that will improve the ability to manage the CalSTRS network environment (STRSNet).

F. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

1. Do Nothing

Continue to maintain two separate network operating systems.

2. Migrate to Windows 2000 or successor network operating system.

Purchase and install necessary hardware and software for all CALSTRS network servers.

G. TIMETABLE:

<i>Event/Task</i>	<i>Time to Completion</i>
Develop a list of needed hardware and software licenses	FY 2001/2002
Train technical staff to support	FY 2001/2002
Finalize migration plan	July 2002
Procure upgrades	July 2002
Install new hardware and software upgrades	August 2002-August 2003

H. RECOMMENDATION:

The recommended alternative is number 2, to migrate to the Windows 2000 NOS. The amount of funding requested is \$110,000.



State Teachers' Retirement System
Budget Change Proposal 2002-2003

BCP No. 8

TITLE:	Teale Data Center Line Item		
BRANCH/OFFICE:	Information and Financial Systems Branch Information and Technology Systems Division		
SUMMARY:	<p>The Stephen P. Teale Data Center is CalSTRS major outsourcing partner for mainframe and network services. Recently CalSTRS implemented a new fully integrated corporate information system called START. START is much more comprehensive and sophisticated than the former system. As the system evolves and as changes to the benefits that CalSTRS members receive continue to occur, continual system testing and additional maintenance and production costs will extend beyond our current level of funding for Teale Data Center costs. For example, the Allowance Roll, our major monthly benefit payment process, which is affected by nearly every change to the system, costs approximately \$35,000 for a comprehensive test at Teale. The fact that the START system uses a corporate database and is fully integrated means that all changes must be thoroughly tested to insure that no impact has resulted from the change in areas other than the one that the change was meant to affect. In addition, changes to the CalSTRS network to meet the demands of our stakeholders will continue into the foreseeable future. The changes and provisions for new means of access to our customers will also result in increased costs through the data center. This proposal is to increase baseline funding for Teale Data Center Costs in the amount of \$5,561,000.</p>		
TOTAL POSITIONS:	0.0		
TOTAL COST:	\$5,561,000	(one-time – \$000,000)	(permanent – \$5,561,000)



TITLE

Teale Data Center Line Items

A. NATURE OF REQUEST:

START costs have been estimated to far exceed the costs of the IDMS system that it replaced. The costs of operating START as well as other data center services that are now provided by the Stephen P. Teale Data Center are currently funded at approximately 2.5 million dollars per year. Based on the first few months of START operation it is apparent that additional dollars are needed in the Teale Data Center line item to cover the cost of continual development and testing, as well as the production costs of the START system

B. BACKGROUND/HISTORY:

Annually, CalSTRS secures a contract agreement with the Stephen P. Teale Data Center for all of our mainframe data processing needs. In March of 2001 CalSTRS implemented the START system to replace an aging information system, which ran on the IDMS database management platform. Due to the integrated nature of the START system any change can potentially require extensive testing to many or most of the system modules to ensure the integrity of the system. In addition, extensive development work due to needed system changes, and a heavy load of legislated changes continues. During the first four months of operation development and testing costs at the Teale Data Center averaged just over \$298,000 per month. Production costs are also much higher than in the past, with the cost of a single Allowance Roll run costing as much as \$40,000. Production costs for START are averaging just over \$452,000 per month. This figure will increase as more components of the system are implemented such as annual update, the 1099R process, and numerous system changes that have been requested by the customer. Adjustments were made to estimate figures to reflect the cost saving impact of using "FASTPATH" optimizing software now in use on the START Database. Still, the result is a very large gap between our current funding for Teale Data Center services and what is in the baseline budget.

Costs of running the IDMS system of approximately \$100,000 per month have declined to a remnant portion of about \$6,000 per month, which will be further reduced as IDMS reaches complete shutdown. Other costs at the Teale Data Center for things such as connectivity, DASD, the Cash Balance system, and consulting services are running approximately \$50,000 per month.



Calculation:

Using averages of Teale costs during representative months for both development/testing and production and the monthly non-START costs, the following estimates were computed:

Annualized cost	=	\$8,101,000
Estimates for processes not yet in production*	\$	260,000
Less Current Budget Funding	=	\$2,800,000
Annual Increase needed	=	\$5,561,000

*Processes not yet in production include Annual Update, 1099R, Valuation, Yearly calculation for quarterly payments.

C. STATE LEVEL CONSIDERATIONS:

There are no State level considerations.

D. FACILITY/CAPITAL OUTLAY CONSIDERATIONS:

There are no Facility/Capital outlay considerations.

E. JUSTIFICATION:

CalSTRS' Business Plan Link

Process all benefits and services in a timely manner.

(Computerized systems are the only way to process benefits timely for the large number of members that CALSTRS has.)



F. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

Do Nothing:

Maintain the existing contract with Teale Data Center with no additional line item funding.

Revert to the IDMS System:

Fall back the IDMS system until START costs can either be moderated or funding found.

Secure Funding for Additional Line Item Costs:

Secure funding for on going START system costs for both production and known and unknown future system testing and maintenance.

This alternative best meets CalSTRS' strategic direction.

G. TIMETABLE:

Invoices are paid to the Teale Data Center on a monthly basis. The funds would be remitted to the data center at a rate of approximately one twelfth of the total each month.

H. RECOMMENDATION:

The recommended alternative is to request funding for Teale Data Center Line Items in the amount of \$5,861,000.

Alternative number one is unacceptable, as it will result in the Teale Data Center cutting off our processing capability if we are unable to pay the cost of operating there. Alternative number two is unacceptable because a large conversion effort would be needed to transfer data changes that have occurred since START was implemented. In addition, attempts to reduce START costs through performance and tuning will still incur high development and testing costs, which would still be un-funded.



State Teachers' Retirement System
Budget Change Proposal 2002-2003

BCP No. 9

TITLE:	Augment Staff for START Maintenance Support		
BRANCH/OFFICE:	Information & Financial Systems Branch Information & Technology Services Division		
SUMMARY:	<p>We are requesting two permanent PY's at the Staff Information Systems Analyst (Specialist) classification as well as 3 internal contractor positions to design and develop continuous legislative enhancements to the START application as well as maintain application enhancements developed externally. Currently there are several major legislative enhancements to be incorporated into the application (DBS, AB2700, RI Redesign, AB2456, AB820, AB1505) as well as design and coding of START II and START III Change Initiation Requests. This list continues to grow and will create an unmanageable backlog with the current staffing.</p>		
TOTAL POSITIONS:	2.0		
TOTAL COST:	\$817,700	(one-time – \$ 55,800)	(permanent – \$761,900)



TITLE: START Maintenance Staff Augmentation

- A. **NATURE OF REQUEST:** In order to provide information to our members in an accurate and timely manner, this requests augmentation of existing staff in the areas of application development, application integration, production services, and help desk by adding two additional Personnel Years (PYs) and \$600,000 for internal contract staff. CalSTRS has implemented a new system to better meet our customer's needs. CalSTRS did not have past experience with the maintenance of this system to accurately identify the staffing needs at the time of implementation, nor was the high level of changes and incidents anticipated. Current resources are fully allocated to Change Initiation Requests (CIRs), incidents, and data fixes.
- B. **BACKGROUND/HISTORY:** The START system was implemented in production in March 2001. This mainframe system replaced our legacy system and has been in development for the past six years. CIRs for identified functionality changes to the system have been prioritized based on criticality, need and member impact. Currently there are 36 CIRs identified for START I, 45 CIRs prioritized for START II, and 44 CIRs prioritized for START III. These changes range in complexity from simple to extremely complex. In addition to requests for changes, there is an ongoing workload of incident fixes and data fixes that must be resolved in a timely manner. Currently the CalSTRS Application Development team has 91 open incident fixes. These numbers continue to grow as areas of the system are used more heavily and we enter our peak processing period. In addition, performance issues have been identified that require analysis, coding changes, and possibly design changes. Known legislative enhancements include the Defined Benefit Supplemental, AB2700, Retirement Option Program, as well as the combining of quarterly allowance roll with the monthly allowance roll. This legislation is effective in fiscal year 2002/2003 and will require resources to develop business requirements and to implement the complete system development life cycle including analysis, design, coding, testing/quality assurance, implementation and documentation. The current staffing levels cannot meet these future needs.

C. STATE LEVEL CONSIDERATIONS:

No state level considerations.

- D. **FACILITY/CAPITAL OUTLAY CONSIDERATIONS:** There is no impact on facility/or capital outlay other than space required for approximately 5 staff.

- E. **JUSTIFICATION:** This requests supports CalSTRS business goals:

Continuous improvement in the delivery of benefits and services
An organizational environment that is professional, productive and innovative

The ability to maintain the system by development of ongoing change requests and data fixes supports the business goals of delivery of benefits and services to members by providing accurate data and allows internal staff to be more productive and efficient in the daily production work cycle.

- F. **ANALYSIS OF ALL FEASIBLE ALTERNATIVES:** Alternatives include :



Outsource maintenance of the entire system – costs associated with this alternative would be extreme at the current contract costing levels

Hire and manage internal contractors to maintain the system without the use of state employees. Use dollars previously identified for PYs to fund.

Maintain the system by augmenting current staffing levels (2 – PYs) and adding additional internal contractor staff.

Do nothing. Add no dollars or staff and continue to maintain the system with existing resources. Ability to complete legislative enhancements by the effective date would be impacted. Inability to complete change requests and incident fixes in a timely manner could result in not meeting production goals.

G. TIMETABLE: Recruit and hire PYs and internal contract staff effective 7/1/2002.

H. RECOMMENDATION: Recommendation is to approve this request. The amount of funding requested is for \$55,800 one time, \$761,900 on going, for a BCP total of \$817,700.



State Teachers' Retirement System
Budget Change Proposal 2002-2003

BCP No 10a
Alternate

TITLE: Omnibus Technology (Corporate Imaging and E-Service)

BRANCH: Information and Financial Systems Branch
Client Benefits and Services Branch

DIVISION: Information Technology Services Division
Office of Support Services

SUMMARY: The Corporate Imaging Project will implement electronic imaging and workflow technology at CalSTRS, initially focusing on the Client Benefits & Services Branch. Proposed infrastructure implementation is scheduled for FY 2001/2002. The second phase of this project is scheduled for FY 2002/2003 and includes the implementation of electronic workflows throughout the CB&S Branch.

The E-Service Project will develop and implement enhancements in FY 2002/2003. As stated in the initial plan, this year will involve e-Service applications that contain a greater level of interactive functionality. This phase also will incorporate PIN/Password functionality that will need to be purchased and implemented.

TOTAL POSITIONS: 1.0

TOTAL COST: \$5,265,100

	permanent	one-time	Totals
Corporate Imaging Project	\$376,900	\$4,263,800	\$4,640,700
E-Service Project	\$ 79,500	\$ 544,900	\$ 624,400
Totals	\$456,400	\$4,808,700	\$5,265,100



TITLE: CORPORATE IMAGING PROJECT

A. NATURE OF REQUEST

An organizational emphasis is placed on meeting and exceeding the levels of service to CalSTRS members. This is demonstrated by the processing improvements and technology implementations CalSTRS has elected to implement throughout the years such as the automated Teletalk phone system, the Computer Assisted Retrieval (CAR) system for member documents, the redesign and conversion to an improved online system through the State Teachers' Automation Redesign Team (START) project, the future Computer telephone Integration (CTI) implementation, as well as the current and planned internet and Web site applications. Imaging and workflow technology will further enhance the CalSTRS ability to increase processing efficiency and provide better service to the member community through:

- Increased processing efficiency
- Improved customer service
- Personnel cost avoidance
- Improved disaster recovery
- Reduction of lost files and documents
- Increased management and control over work processes
- Increased availability of documents within CalSTRS
- Improved infrastructure for CalSTRS future

B. BACKGROUND/HISTORY

The Client Benefits & Services Branch processes member applications for service retirement, disability services, family member applications for survivor benefits, and all associated services required to maintain an accurate and up-to-date member account. Additionally, CB&S Branch is responsible for the majority of public contact with CalSTRS' members. Currently, 206 staff are allocated to support the functions of the CB&S Branch, which includes the Service Retirements Division, the Disability and Survivor Benefits Division, and the Services Division.

CB&S Branch statistics include:

- 225,000 incoming documents processed on a yearly basis
- 300,000 internal documents created on a yearly basis
- 90,000 member file/document retrievals on a yearly basis

CB&S Branch staff process incoming documents in paper form as received from members and other entities. Many manual processing steps occur within the realm of normal processing activities, including routing, counting, logging, tracking, and delivering as necessary. At the conclusion of their processing cycle, documents are routed to the Central Records Unit for inclusion in member files.

Member files are maintained in three separate formats today:



-
- Approximately 9,300 disability and family benefit files are maintained in paper format.
 - Approximately 13.5 million member documents reside in microfilm 'jackets'
 - Approximately 6.5 million documents reside on microfilm rolls, of these
 - 3 million documents are indexed and maintained within a Computer Assisted Retrieval (CAR) system
 - 3.5 million are not indexed and are housed in drawer containers.

The three separate formats for maintenance of member file documents are a result of technological implementations employed throughout the years to alleviate inefficiencies and processing bottlenecks as the CalSTRS member community continued to grow.

Similar Technology Implementations:

In 1998, staff members from the Client Benefits & Services Branch and the Information & Financial Services Branch were provided the opportunity to visit five pension funds with imaging and workflow technology implemented. The sites were chosen based on similar processing definitions as well as differing technology vendor solutions.

The pension fund sites visited:

Arkansas Teacher Retirement System
Retirement Systems of Alabama
North Carolina Department of the State Treasurer
Teacher Retirement System of Texas
Utah Retirement Systems

The site visits were invaluable in that they provided CalSTRS staff the opportunity to observe other organizations' benefits received and lessons learned from imaging and workflow technology implementations. Observations are summarized below.

Benefits Received:

- Improved service levels
- Improved operating efficiency
- Reduced document processing time
- Elimination of file contention
- Increased data security
- Increased disaster recovery
- Improved parallel processing capabilities
- Improved case tracking and inventory capabilities

Lessons Learned:



-
- Backfile conversions are costly and require a well-thought out strategy for success
 - System functionality should increase over time; initial implementation should be simple with limited functionality
 - PY savings were not attained

C. STATE LEVEL CONSIDERATIONS

None

D. FACILITY/CAPITAL OUTLAY CONSIDERATIONS

None

E. JUSTIFICATION

This project is in direct support of the following CalSTRS' business goals:

- ◆ Continuous improvement in the delivery of benefits and services
- ◆ An organizational environment that is professional, productive, and innovative

The following opportunities were identified in support of document imaging and automated workflow technology implementation:

Increased processing efficiency

Through elimination of manual tasks, reduced processing elapse times, reduced staff interruptions, and increased access to required information.

Improved customer service

By providing immediate answers to member inquiries regarding application processing status, information on and about active documents and processing requirements, and information on and about archived documents and previous actions to member accounts.

Personnel cost avoidance

Through reduction of staff effort to process CalSTRS member benefits and services and subsequent ability to absorb additional workload requirements.

Improved disaster recovery

By decreasing the risk and cost associated with the recovery of member files and documents in the event of a disaster.

Reduction of lost files and documents

Through immediate and permanent capture of documents as they are received at CalSTRS.



Increased management and control over work processes

By providing management with the tools to accurately assess workload and processing characteristics and statistics and adjust processing assignments and cycles to best meet production requirements.

Increased availability of documents within CalSTRS

Through the initial capture of incoming documents as opposed to the eventual capture of documents following processing.

Improved infrastructure for CalSTRS future

By providing an integrated document management, information capture, and automated workflow system with full capability to accept and process information received through planned technology applications such as Computer Telephone Integration (CTI) and electronic business processing (E-Business).

First year project funding (FY 2001/2002) was approved during last year's budget cycle. This BCP provides continued project funding necessary to implement the second year project activities.

F. ANALYSIS OF ALL FEASIBLE ALTERNATIVES

None. The feasibility of alternative solutions was explored in the first year project BCP.

G. TIMETABLE

Project Phase:	Estimated Start	Estimated Completion
♦ FSR and BCP Approval	06/01/99	07/15/99
♦ Vendor Contract Award	Fall 2001	Fall 2001
♦ Requirements Analysis	Fall 2001	Fall 2001
♦ Infrastructure Implementation	Spring/Summer 2002	Spring/Summer 2002
♦ Backfile Conversion – CAR	Summer/Fall 2002	Summer/Fall 2002
♦ Workflow Implementation	Spring 2003	Summer 2003
♦ Backfile Conversion – Remaining		
♦ Microfilm	Summer 2003	Summer 2003
♦ Post Implementation	Fall/Winter 2003	Fall/Winter 2003



H. RECOMMENDATION

Second year project funding is recommended to fully meet the goals and objectives of the Corporate Imaging Project. Without approval, CalSTRS will not fully obtain the benefits derived from automated workflow, including, improved customer service, increased processing efficiency, and future personnel cost avoidance. BCP costs for the recommendation are \$4,640,700.



TITLE: E-SERVICE PROJECT

A. NATURE OF REQUEST

Conducting business online, or over the Internet, has increased significantly over the past few years. Increasingly, more state departments and financial institutions are making use of the Internet, or e-Service, to transact business with and provide service to their customers.

Most schools utilize computers in the classroom. As such, teachers are computer literate and have become accustomed to conducting business over the Internet. E-Service will enhance benefits and services to our members, the teachers of California.

The e-Service Project will develop and implement system functionality in FY 2002/2003. As stated in the feasibility study report, this year will involve e-Service applications that contain a greater level of interactive functionality. This phase also will incorporate PIN/Password functionality that will need to be purchased and implemented. To ensure a successful implementation of the PIN/Password functionality, one new position in the Support Services Program is being requested. The position, a Senior Pension Program Representative, will oversee, maintain and support this functionality. Continuing during this fiscal year is the cost for ongoing web site maintenance and support.

The proposed functionality implementation and associated costs are listed below:
One-time costs to incorporate the following functionality

- 1099 access
- PIN/Password functionality
- Access to current and previous period direct deposit advice data
- Update of specified account information
- Account data for Defined Benefit Supplemental Account, Cash Balance and VIP programs
- Additional form access and submittal capabilities

One Time Sub-Total \$544,900

Continued on-going costs

- PIN/Password maintenance and support
- Web site maintenance and support

On-going Sub-Total \$79,500

Grand Total	\$624,400
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Teale Data Center maintenance and support includes running and maintaining the Internet web site 24 hours per day, 7 days per week and providing technical support when necessary.



Without this additional funding, the critical Implementation phase of CalSTRS' e-Service project will not be successful resulting in a failure to provide continued improvement and excellence in customer benefits and services.

B. BACKGROUND/HISTORY

CalSTRS' interaction with our members typically has been via telephone, mail, walk-ins and our Regional Counseling services. Not only are these modes of performing transactions often times slow and inconvenient, the volumes of such interactions has increased significantly over the past few years. For example, based on recent data, the Public Service Office (PSO) staff:

- Answered 296,928 member telephone calls
- Answered over 4,000 written correspondence items
- Processed over 9,000 member billing requests
- Supported 132,524 interactive telephone system member queries and requests
- Logged 68,913 hits on the automated teletalk system

In addition, our Regional Counseling staff provided counseling interviews to 31,457 CalSTRS members and conducted 676 pre-retirement workshops.

Since CalSTRS' web site was established, we are seeing an increased level of access by our members to obtain information and send inquiries via e-mail. Last year, the CalSTRS website received nearly 50,000 hits which was a significant increase from the 7,000 hits received just two years before.

This data is a strong indication of the trends in technology and the demands of our members. E-Service is a likely next step in increasing services and staying in step with our member's needs.

C. STATE LEVEL CONSIDERATIONS

There are no State level considerations.

D. FACILITY/CAPITAL OUTLAY CONSIDERATIONS

There are no Facility/Capital outlay considerations.

E. JUSTIFICATION

CalSTRS' Business Plan Link

- Continuous improvement in the delivery of benefits and services
- An organizational environment that is professional, productive, and innovative

CalSTRS strategic direction is to improve communication and service to our members. By allowing our members to sit in the comfort of their home and access their account information for such purposes as changing their address or beneficiary designation and retiring online we are making significant progress toward achieving our strategic direction.

Data collected via a recent customer survey conducted by the CalSTRS Client Benefits and Services Branch indicate the majority of members have access to the Internet and are willing to use it to access their account information. As the current teaching population ages and younger teachers are even more computer literate, we will see an even greater increase in these trends. E-Service is a logical next step to improve communication and service to members.



An additional benefit to this technology is the ability for employers to report member information online rather than via the US Mail system. This will increase the service to employers by expanding their window of time for reporting and provide quicker turnaround on exception reporting.

F. ANALYSIS OF ALL FEASIBLE ALTERNATIVES

Do Nothing:

Maintain the current mode of delivering services to members and employers.

Continue Enhancing E-Service Technology:

Continue to enhance e-Service technology and its functionality.

This alternative best meets CalSTRS' strategic direction.

G. TIMETABLE

Fiscal Year 2001-02: Contract with professional consultants to develop 2nd year e-Service applications.

Fiscal Year 2002-03: Continued e-Service implementation

H. RECOMMENDATION

The recommended alternative is to continue to enhance CalSTRS' implementation of e-Service technology. BCP costs for this proposal are \$624,400.

State Teachers' Retirement System
Budget Change Proposal 2002-2003

BCP No.11

TITLE: STRSNet Security Administration

BRANCH/OFFICE: Information & Financial Systems /
Information Technology Services Division

SUMMARY: STRSNet staff has spent excessive personnel resources managing network operating systems due to recent and past attacks, such as: "I Love You", "Anna Kornikova", "W32.Prolin.Worm". These have resulted in the integrity of the mail system being compromised and the loss of the internal mail system for many hours at a time, requiring staff to work evenings and weekends to maintain the integrity.

In addition to virus attacks, numerous other security threats exist such as denial of service attacks, web page hijacking, and penetration hacking into restricted system spaces. The computer industry has responded with hardware, software, and services to counter these threats, but in order to take advantage of them, the necessary resources are needed. OE&E dollars are needed to purchase the products. Personal services dollars are needed for staff resources to install, execute, and maintain these products, as well as constantly monitor the security condition of STRSNet in real time. Also, from a human resource standpoint, staff time is needed to deal with the constant stream of vulnerabilities that are being discovered in industry standard 'off the shelf' software such as the operating systems (Various MS Windows versions at STRS), and applications such as Internet Information Server, Microsoft Exchange, and Microsoft SQL database. Patches and service packs are often made available by the companies soon after these vulnerabilities are discovered, but acquiring, testing, and implementing them is a very time consuming process.

With the ongoing threat of virus attacks and many other security vulnerabilities facing the STRS network, we need dedicated resources for the Security Administration function. This will allow for a more proactive approach to prevent future attacks and to provide for a more secure network environment overall. These positions will be responsible for the ongoing maintenance strategy using Norton Antivirus, Trend Micro Scanmail and Content Manager and all other security related products. They will work with the Information Security Officer to ensure the protection of the network.

TOTAL POSITIONS: 1.0

TOTAL COST: \$251,000 (one-time – \$170,100)
(permanent – \$ 80,900)

TITLE

STRSNet Security Administration

A. NATURE OF REQUEST:

Security concerns increase daily for computer networks that are connected to the rest of the world via the Internet. CALSTRS wishes to ensure that it has the best security technology it can afford and the staffing to provide proper administration and monitoring of its network security.

B. BACKGROUND/HISTORY:

STRSNet staff has spent excessive personnel resources managing network operating systems due to recent and past attacks, such as: "I Love You", "Anna Kornikova", "W32.Prolin.Worm". These have resulted in the integrity of the mail system being compromised and the loss of the internal mail system for many hours at a time, requiring staff to work evenings and weekends to maintain the integrity.

In addition to virus attacks, numerous other security threats exist such as denial of service attacks, web page hijacking, and penetration hacking into restricted system spaces. The computer industry has responded with hardware, software, and services to counter these threats, but in order to take advantage of them, the necessary resources are needed. OE&E dollars are needed to purchase the products. Personal services dollars are needed for staff resources to install, execute, and maintain these products, as well as constantly monitor the security condition of STRSNet in real time. Also, from a human resource standpoint, staff time is needed to deal with the constant stream of vulnerabilities that are being discovered in industry standard 'off the shelf' software such as the operating systems (Various MS Windows versions at STRS), and applications such as Internet Information Server, Microsoft Exchange, and Microsoft SQL database. Patches and service packs are often made available by the companies soon after these vulnerabilities are discovered, but acquiring, testing, and implementing them is a very time consuming process.

With the ongoing threat of virus attacks and many other security vulnerabilities facing the STRS network, we need dedicated resources for the Security Administration function. This will allow for a more proactive approach to prevent future attacks and to provide for a more secure network environment overall. This position will be responsible for the ongoing maintenance strategy using Norton Antivirus, Trend Micro Scanmail and Content Manager and all other security related products. They will work with the Information Security Officer to ensure the protection of the network.

C. STATE LEVEL CONSIDERATIONS:

There are no state level considerations.

D. FACILITY/CAPITAL OUTLAY CONSIDERATIONS:

There are no facility/capital outlay considerations.

E. JUSTIFICATION:

Link to CalSTRS Business Plan:

- Provide a supportive organizational environment that is professional, supportive and innovative.
- Continuous improvement in the delivery of benefits and services.

Link to CalSTRS vision

- CalSTRS is committed to Lifetime Service and Security to Meet the Changing Needs of California's *Educators*

The security of information used by CalSTRS staff to administer the retirement system is highly sensitive. In a sense, CalSTRS can never do enough to promote the security of its systems to protect the information it holds to help serve its members.

F. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

1. Do Nothing

Continue to handle security threats in a reactive mode.

2. Develop and staff a security administration function within the STRSNET unit.

Create a position and purchase appropriate hardware and software to create a proactive security administration program for STRSNET.

G. TIMETABLE:

<i>Event/Task</i>	<i>Time to Completion</i>
Fill Position	July 2002
Develop network security installation plan	August-September 2002
Procurement	October 2002
Install and begin operating new program	November 2002

H. RECOMMENDATION:

The recommended alternative is number 2, to establish a proactive Security Administration program for STRSNET. The amount of funding requested is for \$170,100 one time, \$87,800 on going, for a BCP total of \$251,000.



State Teachers' Retirement System
Budget Change Proposal 2002-2003

BCP No. 12

TITLE: AB 2700 Creditable Compensation Implementation

BRANCH/OFFICE: Information and Financial Systems
Membership Division

SUMMARY: The passage of AB 2700 Creditable Compensation Reform will require significant program modifications to accommodate the reporting of creditable compensation. Furthermore, the crediting of summer school and inter-session service will result in service credit in excess of one year for several thousand teachers. Currently, about 14,000 accounts exceed one year of service credit. These accounts are manually reviewed to return the excess contributions for service over one year to the employers. Recognizing the need to automate the transfer of contributions in excess of one year service credit to the Defined Benefit Supplement Program and that additional manual review will be required initially to ensure data integrity for revised employer reporting, the review function will need to be augmented by 2 PY (Senior Pension Program Representatives). The START system will need to be modified to handle the excess contributions. The Reporting Interaction subsystem is one of the most complex subsystems and these modifications are estimated to be over \$1,500,000

TOTAL POSITIONS: 2.0 (LT)

TOTAL COST: \$1,630,300 (one-time – \$104,300)
(permanent – \$1,526,000)



TITLE
AB 2700 Creditable Compensation Implementation

A. NATURE OF REQUEST:

CalSTRS has requested additional resources to implement recent legislation on creditable compensation for CalSTRS members.

AB 2700, Chapter 1021, Statutes of 2000, appropriated \$600,000 to CalSTRS for administrative implementation costs. However, additional one-time and ongoing resources are needed to fully implement the legislation.

Effective July 1, 2002, the definition of remuneration that is creditable to CalSTRS for Defined Benefit (DB) retirement purposes is expanded to include summer school, intersession and overtime. During FY 2001-2002, modifications will be made to the START system to accept additional contributions associated with these payments. Additionally, AB 2700 requires certain types of remuneration to be creditable to the Defined Benefit Supplement Program (DBS) and the START will be modified to accept contributions for these payments. Contribution accounting reports received by CalSTRS will be revised.

Effective July 1, 2003, members of the CalSTRS retirement system who exceed one year service credit will receive credit for the contributions associated with the excess in the DBS Program. The contributions associated with the service credit in excess of one year are currently returned to the employer based on an automated and manual review at the end of the fiscal year. The START system will need to be modified to handle the excess contributions and transfer them to the DBS program prior to the issuance of the annual FY 2002-2003 DB and DBS statements.

Additional one-time resources are needed to design, code, test, migrate and maintain the changes to START for the contribution transfer to DBS, the statement of account, the DB fund actuarial process. In addition, a new automated process is needed to determine the compensation earnable for employees who work for multiple employers. This will impact two of the most complex START subsystems, Reporting Interaction and Benefit Stream. The AB 2700 automated changes will require coordination with ongoing START production activities and the DBS benefit START enhancement project, which is currently underway. Due to the complexity of these changes, a conservative estimate of 7,500 hours specialized programming services (\$1.5 million) will be needed.

Additional ongoing resources are needed to (1) update reporting manuals, (2) answer questions from the district and county office of education regarding the changes in reporting of creditable compensation, (3) support member, employer and CalSTRS education and training efforts on the new legislation, and (4) review service credit in excess of one year for reasonableness concurrent with their transfer to the DBS account and (5) identify and correct reporting problems. Existing Membership Division staff will continue to support the monthly processing and correction of contribution reporting for the approximately 400,000 active members in the CalSTRS retirement system and cannot implement these changes without assistance.

B. BACKGROUND/HISTORY:



In the early 1970's when the current retirement plan was designed, K-12 education generally was provided for nine months a year and community college instruction used full-time faculty to a greater degree. Since then a number of changes have occurred in the provision of education, including more year-round schools, summer school and the shift in community colleges to more part-time based instruction. In addition, administrators and school staff are increasingly being compensated based in part on their performance. California AB 2700 legislation makes almost all compensation creditable for purposes of determining a retirement benefit and reflects the changes in education. This legislation was initiated following a multiple year DB plan design study performed by CalSTRS.

Additionally, the passage of AB 1509 Defined Benefit Supplement Program created a supplemental account for retirement purposes effective January 1, 2001. AB 2700 legislation augments the amount available in the DBS account with the employer and employee contributions associated with service credit in excess of one year and for additional special payments.

C. STATE LEVEL CONSIDERATIONS:

CalSTRS will be under considerable pressure to succeed in implementing the creditable compensation changes from the CalSTRS members, the California Teachers Association, the Association of California School Administrators, and the Association of California Community College Administrators. The changes will result in additional retirement benefits for those retiring, receiving disability or survivor benefits beginning July 2002 or later, although the additional DBS benefits will not take place until July 2003. No other state departments are affected. The changes will impact the county offices of education and school districts.

D. FACILITY/CAPITAL OUTLAY CONSIDERATIONS:

None

E. JUSTIFICATION:

This proposal supports two of the CalSTRS department's strategic objectives:

- (1) Process all benefits and services in a timely manner and
- (2) All customers have comprehensive access to information and services at their conveniences through a combination of media by June 30, 2003.

Due to the legislatively mandated effective dates, the implementation cannot be delayed. There are no other sources of non-state funding available for implementation. There is support from CalSTRS members for this request. Although some employers may have difficulty funding the employer portion of the contribution for the additional creditable compensation, we do not anticipate opposition to this request from the employer community.

The proposal to modify the START system to include the changes for creditable compensation is a reasonable technical solution. The volume and complexity of the changes precludes a personal computer solution. START is the CalSTRS corporate system that calculates and pays all of the



retirement benefits for the DB program and, when enhanced with AB 1509, will also process the DBS benefits.

Due to the complexity of the legislation and the contribution reporting process, we anticipate many more reporting problems during the initial years of implementation.

The budget estimate for the automation portion of the request is based on past CalSTRS experience with START enhancements of similar complexity. The personnel request is based on prior membership reporting experience.

F. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

1. Continue with current staffing. This alternative does not provide sufficient resources to implement automated changes for START, support the stakeholders of creditable compensation changes, and carry out current Membership Division functions.
2. Perform the analysis and transfer of contributions in excess of one year manually. It is not feasible to manually review 14,000 accounts exceeding one year service credit (this number will grow with the expansion of creditable payments) and update the data to produce an automated member statement of account within a reasonable time period.
3. Augment the Membership Division by 2 LT PY (Senior Pension Program Representatives) to implement the legislation and provide one-time funding to support automated changes to START.

F. TIMETABLE:

As implementation task force has been chartered to oversee the implementation efforts of AB 2700. The AB 2700 automation changes will be prioritized with other CalSTRS START enhancements and changes. All changes for this phase of the implementation need to be made by fall 2003. Membership Division support activities will begin in early 2002 and continue through 2003.

G. RECOMMENDATION:

Alternative #3 is recommended. The additional positions will enable Membership Division to address the additional workload associated with the new legislation. The one-time funding is necessary to make automated changes to START so members can receive their enhanced benefits and augment their DBS account effective July 2003.



State Teachers' Retirement System
Budget Change Proposal 2002-2003

BCP No. 13

TITLE: Reporting Feasibility Study Report

BRANCH/OFFICE: Information and Financial Systems Branch
Membership Division

SUMMARY: The passage of AB2700 Creditable Compensation Reform provides an opportunity to review and assess major changes to employer monthly reporting. The current format for the monthly report of retirement contributions has essentially remained unchanged for the past 20 years. The purpose of this study is to assess the simplification and consolidation of CalSTRS reporting requirements

TOTAL POSITIONS: 0.0

TOTAL COST: \$300,000 (one-time – \$300,000)
(permanent – \$000,000)



TITLE

Reporting Study Feasibility Study Report

A. NATURE OF REQUEST:

Improve the level of service to the members and to simplify the reporting process for the employers.

B. BACKGROUND/HISTORY:

The monthly report of retirement contributions has essentially remained unchanged since its inception in 1972. The current format contains 18 different fields of data much of which is no longer essential to the maintenance and monitoring of active member data, nor is it essential for the calculation of benefits payable by the system. An inordinate amount of time and effort is spent by both the employer and CalSTRS reporting staff, in reviewing and correcting erroneous coding structures within the data. In some instances an entire report will be rejected for an incorrect code that has no effect on either the members accumulation of service credit or the calculation of their benefit if eligible.

Little success has been made in modifying the current format as the preceding 6 years has been spent on the START project. Qualified staff from the Membership Division has not been available to support an effort to change the program and format until now. This is an opportunity for CalSTRS to streamline the current process and to provide additional ease of administration of the DB plan.

C. STATE LEVEL CONSIDERATIONS:

A significant impact will occur to county offices of education and other employing agencies that are involved in the submission of monthly reports of contributions.

D. FACILITY/CAPITAL OUTLAY CONSIDERATIONS:

No additional facilities are required.

E. JUSTIFICATION:

There is a need for continuous improvement in the reporting of data to the system. The rationale for this is two-fold. First as payroll systems become more and more sophisticated it is necessary for CalSTRS to keep pace with that trend. In some cases, employer payroll redesign efforts have been hampered by the need to submit the monthly report (F-496) in the current format. Second, CalSTRS is in a partnership with the employers with respect to our members. Our goals and objectives of providing an accurate and timely processing of member information (statements) and benefits are impacted by our inability to streamline the current reporting process. For example due to the methodology currently in use it takes 60 days to correct data. A modification to the reporting process could conceivably reduce that time to minutes.



In cooperation with knowledgeable CalSTRS staff, this proposal will utilize the expertise of external consultants to assist in the development of the FSR. Due to the complexity of the reporting structure and multitude of parties (employers, payroll providers, other retirement system, CalSTRS staff), it is estimated that 2400 hours of consulting services will be needed. The billing rate for a consultant with requisite knowledge and skills is \$125.00 per hour.

F. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

CalSTRS could contract out for services related to the development of a streamlined reporting process, however there is a great need for current and historical expertise in the area of employer reporting interactions is necessary for the success of this effort. CalSTRS has previously used staff without the requisite expertise to attempt to modify the current process, the effort failed.

Further, maintenance of the status quo with respect to the monthly report process will become increasingly difficult as employer payroll systems are updated and the CalSTRS DB Plan continues to evolve.

G. TIMETABLE:

July 2002 –December 2003

H. RECOMMENDATION:

In concert with knowledgeable CalSTRS staff, hire a consultant in July 2002 to assist in the development of the Reporting Study Feasibility Study Report.



State Teachers' Retirement System
Budget Change Proposal 2002-2003

BCP No.14

TITLE: Annual Statement Redesign

BRANCH/OFFICE: Information and Financial Systems Branch
Membership Division

SUMMARY

The benchmarking study conducted by Cost Effectiveness Measurement, Inc (CEM) rated CalSTRS Annual Statement in the lowest quartile for overall quality (1.3 on a scale of 5). The System's strategic objective is to be in the top quartile for customer service. To achieve this rating, the Annual Statement will need to be redesigned. Furthermore, there is a desire to combine all program (DB, DBS, and CB) information on one statement. Current annual statement printing allocation only covers the printing of the form not redesign. Both programming and design consulting services will be needed to accommodate the modification (one-time). Estimated costs \$100,000.

TOTAL POSITIONS: 0.0

TOTAL COST: \$100,000 (one-time – \$100,000)
(permanent – \$000,000)



TITLE

Annual Statement of Account Redesign

A. NATURE OF REQUEST:

To improve the quality of the Annual Statement of Account and achieve an improved rating for customer service.

B. BACKGROUND/HISTORY:

The CalSTRS Member Annual Statement of Account is required to be mailed to each member of the system pursuant to Section 22309 of the Education Code. The current format was developed five years ago, only covers the CalSTRS DB Program information and needs to be redesigned. The current CalSTRS Plan has a Defined Benefit program component, a Cash Balance program component and a Defined Benefit Supplement program component. A member of CalSTRS may be a participant in all three of these programs, nevertheless, under current conditions the member would receive a separate statement of account for each of these programs. Moreover, each of the statements although covering the same time period (fiscal year ending June 30) are issued at different times during the year. In order to improve the level of service to our membership and to meet one of the strategic objectives of the system the statement should be redesigned to do the following:

- 1.) Combine all program information in one statement (DB, CB, and DBS)
- 2.) Redesign the statement to improve the quality and achieve a rating in the top 25% of all annual statements for overall quality and customer service.

C. STATE LEVEL CONSIDERATIONS:

There are no impacts on other agencies

D. FACILITY/CAPITAL OUTLAY CONSIDERATIONS:

No additional facilities required

E. JUSTIFICATION:

There is a need to provide quality information to our clients (members). There are currently three programs within the CalSTRS plan, and a member can be a participant in all three programs. It was suggested at a recent forum of employers that we include the DBS information on the current annual statement of account. Failure to do that will result in a significant amount of confusion to our clients. All DB program members who are performing creditable service will be participating in both DB and DBS. In addition, Cash Balance program participants will be performing creditable service for the same employers and although the information is sent on a different media it is nevertheless submitted to CalSTRS.



Secondarily the benchmarking conducted by Cost Effectiveness Measurement, Inc. (CEM) involved all of the public and state retirement plans in the country of which we are one of the largest. We have one of the more sophisticated systems and it is appropriate for our statement to reflect our image within the industry. In order to improve our rating from CEM it is necessary to redesign the statement based on current industry standards for information regarding the plan, and information specific to the individual member. A tertiary consideration in all of this is the issue of confidentiality of data and the needs of the program area involved in distribution and control of returned statements and their storage and disposal.

This proposal would allocate approximately \$25,000 for consulting services to assist in redesigning the form and \$75,000 to accommodate programming changes for the Annual Update process.

F. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

The system could continue to issue separate annual statements to the membership. That alternative is becoming more costly to the system, as CalSTRS adds different programs. In addition this alternative creates a significant workload for both CalSTRS and the employers, as the member is required to make a separate inquiry regarding each account. Employers have already encountered this difficulty with the DB and CB annual statements. These are not sent at the same time during the year, and the information is different but the member is one in the same, this is very confusing to the membership and extremely inconvenient. Moreover, continuing this process will become more expensive as each statement is confidential and requires first class postage.

G. TIMETABLE:

July 2002 –December 2003

H. RECOMMENDATION:

Hire a consultant in July 2002, to redesign the statement. By December 2002 contract programming services to modify the Annual Update Process.



State Teachers' Retirement System
Budget Change Proposal 2002-2003

BCP No.15

TITLE:	Additional Caseworkers for Survivor Benefits Division	
BRANCH:	Client Benefits and Services	
DIVISION:	Survivor Benefits Division	
SUMMARY	Three, two-year limited term Pension Program Representatives to process backlogged workload resulting from START downtime and ramp-up.	
TOTAL POSITIONS:	3.0	
TOTAL COST:	\$143,700	(two year Limited Term)



TITLE

Additional Caseworkers for Survivor Benefits Division

A. NATURE OF REQUEST:

We are requesting approval for three Pension Program Representative positions, to be established as limited term positions for up to two years.

B. BACKGROUND/HISTORY:

Survivor Benefits production is suffering in timeliness of service to clients and in meeting production goals because of backlog of case inventory due to downtime and ramp-up of the START database effort. Our normal case inventory when working on a flow basis is approximately 1,200 cases. Presently, we have over 3,200 case in our inventory. We are unable to keep up with existing production workloads because of the backlog and demands on existing staff resources. Staff is currently working overtime on workdays and weekends to alleviate this backlog, but it is proving insufficient to truly address the problem in a substantial manner. The delays in processing timeframes are creating financial hardships for our clients.

C. STATE LEVEL CONSIDERATIONS:

None – No other state agencies affected.

D. FACILITY/CAPITAL OUTLAY CONSIDERATIONS:

Facility costs within Operating Expenses have been augmented to support these positions.

E. JUSTIFICATION:

Survivor Benefits has the responsibility of paying death benefits and starting allowances for the beneficiaries of our members. Our goals are to process new cases within 90 days of receipt of the date of death notification and to pay all cases within 45 days of our receipt of the last required document. In order to meet those goals again, we must alleviate the current backlog and bring our statistics back to our pre-START figures when we were in compliance with our goals.

Approving the establishment of the proposed positions will make this effort possible.

F. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

1. Continue with existing staffing level, which will mean trying to address the backlog situation, but not able to make much headway in the foreseeable future.
2. Continue working overtime and using temporary help, which is insufficient to meet our needs. We need to bring the inventory closer to the standard 1,200 and thus process work on a “flow” basis.



-
3. Augment staffing levels by three positions effective 7/1/01, which will speed up the timeframe and provide more timely service to our clients.

G. TIMETABLE:

Effective 7/1/02

H. RECOMMENDATION:

We recommend alternative #3, which will augment our current staff enabling us to serve our clients in a more timely manner and reach our projected goals.



TITLE: Project Management Office

BRANCH/OFFICE: Executive Branch

SUMMARY:

The Project Management Office (PMO) is being established to provide guidance and support to enterprise level strategic projects through a well defined system of project management leadership. The need for a Project Management Office was identified by a group of middle and senior managers attempting to address gaps in requirements, stakeholder representation, prioritization of resources, performance and costs associated with major strategic projects undertaken at CalSTRS.

The PMO will be established in the 2001-02 budget year and will undertake one or two projects on a pilot and development basis. Final implementation of a functioning PMO will require a small nucleus of full-time dedicated staff that are well trained in project management principles and procedures.

Establishment of a PMO at this stage, anticipates and prepares CalSTRS for the coming mandates that State agencies have Project Management Offices while establishing a best business practice for CalSTRS efforts to support strategic business projects.

TOTAL POSITIONS: 3

TOTAL COST: \$257,800 (Permanent Costs: \$242,000)
(One Time Costs: \$ 15,800)



TITLE
Staffing of the Project Management Office

A. NATURE OF REQUEST:

There is a continuing need for CalSTRS to improve the delivery of services to its members in accordance with its strategic plan. This is a request to provide staffing for the CalSTRS Project Management Office (PMO) which will manage enterprise projects, develop broad and detailed project management guidelines for CalSTRS and support project efforts in the Department. The PMO will report to the CEO and focus on projects that are closely aligned to, or directly support, the CalSTRS Strategic Plan. Projects already slated for the PMO are the Defined Benefit Supplemental (DBS) implementation project, the Corporate Imaging Project that is designed to streamline delivery of member services and automate record retention, and the E-Service Project that will, through a number of stages progressively bring many of CalSTRS services to the Internet for the convenience of its members. Many other projects involving the implementation of legislation and other strategic developments will be appropriately placed in the PMO.

Project efforts at CalSTRS have been very traditional in that projects have typically developed in the business area feeling the greatest need. The project has then often been conducted from that business area with varying degrees of involvement from other stakeholders and wide variations in approach depending on the experience of the project manager. CalSTRS has been fortunate in its level of project success with this method of project management. It has also recognized that other organizations adopting the guidelines of the Project Management Institute (a nationally recognized organization dedicated to project management) have shown major improvements in project efficiencies, effectiveness and success rates. This simply cannot be accomplished without project management professionals on staff and involved with every project.

B. BACKGROUND/HISTORY:

Recognizing the need to modernize its automated systems, CalSTRS undertook a project in July of 1994 to redesign primary data bases and processing systems. This major project provided a rich environment for the cultivation of project management expertise and experience. A major contributing factor to the success of this project was its centralized project management office like organization and operation. Staff involved in the conduct of the project participated in a structured contemporary project management approach over a period of several years.

Faced with many opportunity driven and legislatively mandated projects in the future, CalSTRS has chosen to continue its proven successful project management strategy and retain the recently developed project management expertise for future projects. In July of 2001, CalSTRS began efforts to establish a project management office to retain and consolidate the expertise it had developed and to expand its ability to deliver successful internal projects.

C. STATE LEVEL CONSIDERATIONS:

None.



D. FACILITY/CAPITAL OUTLAY CONSIDERATIONS:

Facility costs within operating expenses have been augmented to support these positions.

E. JUSTIFICATION:

Staffing of a Project Management Office will improve the success rate of CalSTRS projects and reduce time and cost of such projects through a reduction of the recognized common mistakes of project management. Implementation of a PMO will support Goal 4, (Provide a supportive organizational environment that is professional, productive and innovative) of the CalSTRS Strategic Plan. PMO managed projects or projects supported by the PMO will operate with the advantage of uniform project management processes that are proven to work in a wide range of industries. Relatively inexperienced project managers can be predictably successful with relatively difficult and complex projects if they have the appropriate level of support such as would be provided by a PMO over the long-term. A PMO will provide project resource management across organizational boundaries, reconciling competing project demands for very limited business expert and technical resources.

A total of 6 positions are required to successfully operate and manage the PMO. The Department has identified 3 positions that can be diverted from other project-support areas. This BCP requests the following 3 additional positions:

1. A Staff Services Manager I to support and train project managers and project staff on large complex enterprise-wide projects and to manage one or more projects assigned to the PMO.
2. A Governmental Program Analyst to support and assist in the training of project managers and project staff and to manage one or more small projects assigned to the PMO.
3. An Office Technician to provide support to project managers, project staff and PMO staff.

F. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

Alternative 1

Augment the CalSTRS Budget, adding 3 positions to staff the PMO.

Pros:

- Improves project management effectiveness.
- Reduces project risks due to inadequate project management.
- Will reduce the overall cost-risk of project management efforts.
- Brings CalSTRS in line with industry standards and recognized successful project management practices.
- Establishes practices for effective resource management.

Cons:

- Increase Budget Year 2002-03 requirement.



Alternative 2

Contract with private sector project managers to support CalSTRS project management efforts.

Pros:

- Brings in project management professionals with (potentially) a wide range of experience.
- Little staff training curve required.

Cons:

- Costs are much higher.
- Expertise is lost when project is over.
- Will face variations in project management methodology.
- Contractors would initially be unfamiliar with CalSTRS programs and operations.

Alternative 3

Continue to operate without a PMO.

Pros:

- No up front cost increases.
- No change impact.

Cons:

- Project management principles must be re-learned with each project.
- Projects become more costly due to less effective project management.
- Greater project oversight required.
- Difficult to take advantage of project similarities.

G. TIMETABLE:

July 1, 2002

H. RECOMMENDATION:

Alternative 1

Provide funding 3 additional positions for the CalSTRS Project Management Office.



State Teachers' Retirement System
Budget Change Proposal 2002-2003

BCP No.17

TITLE: Facility Reconfiguration

BRANCH/OFFICE: Administration Branch

SUMMARY: Conduct a reassessment of how critical space is currently utilized and based upon that assessment, make those changes necessary to achieve more effective use of our facility. This will include organization /staff moves as well as constructing or remodeling within existing suites.

TOTAL POSITIONS: 0

TOTAL COST: \$500,000 (Permanent Costs: \$0.0)
(One Time Costs: \$ 500,000)



TITLE

Facility Reconfiguration

A. NATURE OF REQUEST:

Over the last five years program and staff growth have created a need to reassess our current facility layout with particular focus being placed upon more effective use of our facility. We believe this can be best accomplished through a combination of efforts that include organization/staff moves, reassessing how critical space is currently utilized (i.e. conference rooms and storage areas vs. office space), and finally constructing or remodeling existing suites. The total cost of this effort is estimated at \$800,000 and will be completed over two fiscal years. Work will begin in the spring with a modest effort funded out of the current year and then be completed by the end of fiscal 2002-2003. Work done during the current year will be funded out of existing resources. This request would provide one time funding for the work that would be accomplished in the budget year at \$500,000.

B. BACKGROUND/HISTORY:

CalSTRS has occupied its current facility since May 1984. When the facility was first occupied CalSTRS employed approximately 290 staff and the Teachers' Retirement Fund (TRF) was valued at \$12 billion. Although there were two other tenants in the building at that time, National University and Delta Dental, there was more than adequate room for existing staff, and for substantial growth as well. As originally constructed work areas and cubicles were of ample size, most staff work areas were significantly larger than the State standard. There was also ample allowance for meeting and conference rooms as well as storage areas. It is important to note that until 1997, although CalSTRS was comprised of several major program areas, the organization structure was established to operate one major program, the Defined Benefits Program. Over the years growth in the membership has dictated increases in the number of staff required to provide member services.

Today CalSTRS employs 552 staff while the TRF value has grown to approximately \$96 billion and CalSTRS' membership has grown to over 661,000. More than ever before the maintenance and enhancement of service levels is critical. As the fund value has grown employee organizations have recognized the need for benefit enhancements and improvements that serve to expand existing programs. During the last five years the number and complexity of programs available to CalSTRS' members have increased dramatically, signaling the need to increase staff. Technology solutions can and have been used to offset or balance staff growth. However, at some level staff growth will always be necessary to keep pace with membership growth and program expansion.

Until now our response to the greatest extent possible, has been to limit extensive facility modifications and to place new staff in vacant or the most readily available areas. To this extent, today throughout the organization we suffer from a serious lack of adequate meeting space. Most of the largest conference rooms have been converted to work areas and unfortunately no real alternative meeting space provided.

All too frequently staff were located outside of their branch or division. Worse yet, managers or supervisors were located away from the work or business areas for which they were responsible. Responding to personal staff issues, workgroup management issues, and otherwise simple day to day tasks require greater effort and present considerable challenges for management.



Today considerable space is available on the second floor that will allow for relocating staff from the third floor and for reconfiguring several work areas throughout the facility.

C. STATE LEVEL CONSIDERATIONS:

No State level considerations

D. FACILITY/CAPITAL OUTLAY CONSIDERATIONS:

No facility/capital outlay other than space issue outlined herein

E. JUSTIFICATION:

Links to CalSTRS Business Plan:

- Continuous improvement in the delivery of benefits and services
- Provide a supportive organizational environment that is professional, productive, and innovative

If approved CalSTRS would be able to address several space issues that currently pose challenges related to a lack of appropriate meeting space, workgroup management issues, and service level challenges.

F. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

1. Do Nothing

This alternative is not attractive as it fails to address the range of facility problems currently faced here at CalSTRS.

2. Lease Additional Space

While this alternative addresses the very real need for different space configuration, the associated costs would be prohibitive. CalSTRS would likely be required to enter into a multi year lease that would easily exceed the cost of the reconfiguring our current facility.

3. Reconfigure Current Facility

This alternative meets the current and anticipated needs of the organization. Considerable space is available on the second floor that will allow for relocating staff from the third floor and for reconfiguring several work areas. The reconfiguration plan would call for first addressing space issues in the program areas and then more on to the administration areas. The following plan summarizes the anticipated changes.

- External Affairs & Program Development consolidated on the third floor
- Reconfigure Information & Technology Services Division and expand to the former Support Services area
- Move Client Benefit Services executive offices to second floor
- Move Support Services and Files to second floor



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- Move Benefit Adjustments to Service retirement/Survivor Benefits area
 - Expand Regional Counseling
 - Move Billings and the Alternative Phone Center to the second floor
 - Expand Investments into System Experts area
 - Reassign START Conversion area to the Project Management Office
 - Expand Administration into the vacated Support Services area
 - Convert the third floor reception area to conference room (construct walls)
 - Convert the START room to conference room

G. TIMETABLE:

- Fiscal 01-02
Initial effort funded out of current year resources - \$300,000
- Fiscal Year 02-03
Reconfiguration completed - \$500,000

H. RECOMMENDATION:

Recommend proceeding with the facility reconfiguration.



State Teachers' Retirement System
Budget Change Proposal 2002-2003

BCP No. 18A

TITLE: Benefits and Services Resources Required to Improve Service Levels

BRANCH/OFFICE: Client Benefits and Services

SUMMARY

For the past decade, services provided to CalSTRS members have progressively improved to a level of being among the best offered in the country. Recent benefit enhancements, the conversion of the System database and a significant increase in retirements have challenged the CalSTRS ability to deliver benefits and services like never before. This is a request to add 13 positions to address the workload issues in the Branch.

TOTAL POSITIONS: 13.0

TOTAL COST: \$1,288,100 (one-time – \$0)
(permanent – \$1,288,100)



TITLE

Establish three positions in the Service Retirement Division to address increased workload.

A. NATURE OF REQUEST:

Recent legislative mandates require the Service Retirement Division to process additional benefit payments to members who retire after January 1, 2001 under the Defined Benefit Supplemental Program and after April 1, 2002 under the Retirement Option Program. Additionally, the number of members who have or will be retiring will continue to increase based on the number of members who are eligible to retire.

Current resources focused on processing the 15 percent increase in workload experienced in 2000/2001 over the workload volume for 1999/2000. The anticipated 10 percent increase in members applying for service retirement in 2001/2002 combined with the additional benefit payments to be processed under the new programs results in a workload that cannot be handled within the existing resources.

B. BACKGROUND/HISTORY:

CalSTRS primary mission is to provide accurate and timely benefits to the members. The Service Retirement Division has historically

- Processed 99 percent of the service retirement applications within 30 days of the effective date or receipt of all necessary information, whichever is later.
- Processed 98 percent of final service retirement payments within 45 days of receipt by the system of all necessary information.
- Processed 91 percent of final service retirement allowances within four months of the retirement effective date.

In 1999/2000 the volume of retirements increased 4 percent over the prior year. In 2000/2001 the volume of retirements increased 15 percent. The large increase is collectively attributed to legislatively mandated enhancements to the retirement benefit formula and the impact of the "baby boomer" generation beginning to retire. The implementation of two additional retirement benefits in 2001/2002 provide an even larger class of new retirees with additional retirement income.

The inability to provide accurate benefits in a timely manner results in a significant amount of time directed towards responding to member inquiries. Therefore, the addition of the three permanent full time positions will provide the resources required to pay accurate and timely benefits to retiring members.

C. STATE LEVEL CONSIDERATIONS:

There are no State Level Considerations.



D. FACILITY/CAPITAL OUTLAY CONSIDERATIONS:

Facility costs within Operating Expenses have been augmented to support these positions.

E. JUSTIFICATION:

The Defined Benefit Supplemental (DBS) Program (AB 1509) generally provides all members who retire after January 1, 2001 with a lump sum payment that is eligible for rollover to a financial institution. The current Defined Benefit provides an on-going monthly allowance that is paid directly to the retired member. The DBS Program requires the collection and entry of additional information unique to the DBS payment and the review of the DBS payment for each member who applies for service retirement. Based on the 9,682 projected retirements in 2001/2002, this is an additional 1,613 hours of work.

The Retirement Option Program (ROP) established with the passage of AB 2456 provides eligible members with the opportunity to receive a lump sum payment with a reduced monthly allowance under the Defined Benefit program in addition to the DBS lump sum benefit. Assuming 25 percent of the members elect to receive their retirement benefit under ROP, then the retirement application and payment processing will require an additional 400 hours of work per year. As the number of members retiring increases and/or the number of members electing ROP benefits increases, this workload would proportionately increase.

Additionally, the 15 percent increase in the number of members retiring has increased the number of benefit payments to be processed as the members allowances are adjusted an average of four times following receipt of additional information. The volume of adjustments has increased by 4,764 resulting in an increase of 1,191 hours of work per year. As the number of retirements increases so does the payment adjustment and review workload.

There are 1,410 cases with effective dates prior to June 2001 requiring manual intervention to determine if the retirement allowance requires additional adjustment. These cases are the most complex and require approximately 1,410 hours of work to complete. The increased volume of retirement applications has resulted in resources being redirected from this workload. With the anticipated increase in retirements for 2001/2002, the workload will not be addressed and will continue to increase.

The Service Retirement Division is statutorily mandated to pay finalized retirement allowances within 45 days of receipt of all required information. Failure to meet this requirement results in the payment of interest on the delayed payment.

The Division's goal is to finalize 90 percent of payments within four months of the retirement date. The system has achieved this objective in two of the last three years. Members have an expectation of receiving the benefit they had planned to receive upon retiring. The system's limitations in meeting this desired level of service results in additional inquiries and related response time. The requirement to process additional lump sum benefit payments within existing resources will further limit our ability to provide timely and accurate benefits.



F. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

Alternative 1

Continue with the existing staffing level. This significantly limits the system's ability to achieve the production goals approved by the Teachers' Retirement Board and causes members to experience financial hardship due to the delayed payment of benefits expected upon retirement. The system would incur additional costs as the volume of penalty interest payments would increase.

Alternative 2

Require existing staff to work overtime. The continuous utilization of overtime results in staff burnout and accelerates attrition. This is not a permanent solution for the increase in on-going workload. Overtime and temporary help are already utilized during the peak workload periods.

Alternative 3

Establish three Pension Program Representative positions. Effective January 1, 2002 establish the three positions required to process retirement benefits. This will permit training to be completed and resources to begin processing the payments to the new retirees and to insure retirees benefits are finalized within four months of the effective date.

G. TIMETABLE:

Complete recruitment and appoint candidates January 1, 2002.

H. RECOMMENDATION:

Alternative 3 which will augment staff enabling members to receive accurate and timely retirement benefits.



TITLE RCS Augmentation

A. NATURE OF REQUEST: This request is to expand RCS' (Regional Counseling Services) resources based on the increased number and complexity of CalSTRS benefit programs, increase in membership from 313,000 to 661,392 and demographic shifts in membership. The additional resources will provide the ability to deliver increased counseling services, and improve the communication and information flow to CalSTRS membership. As CalSTRS increases its outreach to younger members, this also increases the demand for information sharing to members and increased coordination with CalSTRS constituent groups. This demand cannot be met with existing RCS resources. Therefore, this proposal requests two permanent positions in the RCS office and 8 Full Time Equivalent (FTE) positions to be located in various school employers.

B. BACKGROUND/HISTORY: In 1986, in response to demands from members, client organization representatives, and legislature, the RCS one-on-one interview approach to providing benefit information services was developed. CalSTRS contracted with various school employers to hire district/county staff to provide those services. Costs of the services are reimbursed by CalSTRS. CalSTRS had 263,569 members and 107,461 benefit recipients. There was one disability, death and survivor benefit plan, and the System had just recently added options four and five to the retirement allowance choices. In FY 1992/93 the membership was 313,000 members and the number of FTE counselors grew from the original 23 to the present 26. Now the total active and benefit recipient membership has more than doubled to 661,392 and CalSTRS counselor FTE is currently at 32.25.

Since that time a number of trends have affected the delivery of benefit counseling to CalSTRS members. The increased complexity of the benefits offered and other changes has increased the length of time it takes to properly conduct interviews with members. At program inception, the average counseling interview took 30 minutes for retirement and 50 minutes for disability interviews. With the development of additional options and disability programs, exceptions, and additional service credit, the retirement interviews increased to the current 60 minutes and for disability, two hours. The addition of option "8" and the opportunity to purchase additional service credit has increased each interview by 20 minutes; an overall increase of one third or an additional 8,000 hours per year.

Increased benefit complexity makes it more difficult to train and retain RCS counselors. Training for new RCS counselors has been extended to four weeks. During FY 2000/2001 31,934 interviews (10% increase), 624 Retirement Workshops (27% increase), and 50 Group Appointment Workshops (pilot project. 350 additional hours) were held. An indication of continued workload increase is that August traditionally is a slower month for interviews. There has been a 20-25 percent increase in interviews for the past three years. With the implementation of new outreach programs and the integration of enhanced benefits, an increase demand for services is inevitable.

RCS Headquarters staff provides the infrastructure on which the RCS program depends: resource commitment and allocation; initial and ongoing training, continuous program, counselor and member support, administrative and Information Technology (IT) support, program quality assurance and monitoring.



Current staffing ratios are inadequate to provide the level of monitoring, quality assurance, supervision required to maintain consistency so that the consequence of counselor error does not create liability for CalSTRS. Quality assurance and monitoring are accomplished by on-site visits of individual member/counselor interviews, review of counselor estimates (over 93,000 annually) and other documents. This does not allow any time to identify programmatic gaps, individual training needs, potential statewide training needs and identify areas where closer day-to-day counselor monitoring is required to plan regional follow-up training if necessary.

C. STATE LEVEL CONSIDERATIONS: This BCP is consistent with the following CalSTRS goals, objective, business plan and policies to:

Goal 2. Continuously improve the delivery of benefits, products and services

Objective 2.1 All customers have comprehensive access to information and services at their convenience through a combination of media by June 30, 2003.

D. FACILITY/CAPITAL OUTLAY CONSIDERATIONS: None.

E. JUSTIFICATION: CalSTRS' Regional Counseling Services (RCS) has been integral in helping keep members informed and prepared for their retirement since 1986. RCS provides these member services through many venues:

One-on-One interviews: Individual private 1hour meetings with a trained CalSTRS counselor.

Pre-Retirement Workshops: Workshops conducted statewide at various school sites. Counselors provide an overview presentation on the CalSTRS retirement benefits and programs. Members five or less years away from retirement are encouraged to attend.

Group Appointment Workshops (GAW): Pilot project in 2000/2001 in San Diego has now become incorporated into each of the 22 counselor locations. Groups of no more than 25 members are given the CalSTRS benefit presentation and then are guided through the CalSTRS website and given instructions on how to calculate their own retirement benefit. Group Appointment Workshops have been increased from 50 workshops in 2000/01 to 80 in 2001/02. The GAWs essentially provide the same coverage as the one-on-one interviews. Members are given a hard copy of their retirement estimate as well as a current CalSTRS member handbook. It is the current strategy that the GAWs will off-load some of the demand and backlog for the one-on-one interviews. The additional FTE's would provide the necessary support to conduct these workshops statewide. If the GAWs do not completely alleviate the pressures of the one-on-one interviews, some of the FTE's would be



directed to assist in eliminating the demand for these interviews as well as helping with members who have an emergency situation such as a possible disability case. Other FTE's would be directed to work with members who are at community colleges. This is a growing population in the CalSTRS membership and the current resources could not adequately meet the demands for these members. Also, if additional money and resources remain it would not be necessary to use or spend further.

Education and Outreach: Site visits are made to various regional school locations to conduct workshops and/or interviews.

All of these services have been well received and are considered in high regard to members, CalSTRS staff, client organization representatives and the TRB. Sadly these resources are not adequate for the need. Already CalSTRS is seeing a drop in providing services in a timely manner. September 21, 2001 was reported an average wait for an individual appoint of 10 to 12 weeks statewide. Counselors, who are contracted on a part-time basis, are using up allotted hours and dollars before the increase demand arrives in March. CalSTRS is also seeing a needed demand earlier on in the year. Counselors are unable to make site visits, conduct workshops and are unavailable for emergency meetings and/or phone calls with members due to the necessary commitment to the already scheduled appointments.

If increase staffing is permitted, CalSTRS will see an immediate improvement in quality and availability of services. Headquarters staff can create in-house teams to meet the needs of each area of counselor services (technical support, training, site visits and monitoring, contract administration, and information dissemination) reflecting a better quality of services to members. RCS would have a stronger back up system with resources, experience and information.

If the counselor FTE's are permitted, members will find it easier to get an individual appointment, attend a workshop, and learn about their CalSTRS benefits and the resources available to them.

Without these positions, members will find it difficult and near impossible to receive individual attention and available resources in a timely manner. RCS staff will not be readily able to provide any counselor and/or member services and support as needed or requested.

It is critical to establish permanent positions and counselor FTE's beginning January 2002. Increase in member population, complexities in the CalSTRS benefit program, and establishment of new outreach and information programs makes it critical to have the CalSTRS Regional Counseling Services expanded to meet the needs of these increases.

F. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

Alternative #1: Status Quo: Keep RCS staffing and counselor FTE's as is. Same services would be provided; however, benefit complexity and growth of membership population would create an increased waiting period and/or unavailability of services for members. All 22 contracted entities have indicated a 10 to 12 week wait time for individual appointments as of September 21, 2001. This will give no opportunity to monitor, train, educate and outreach, survey, analyze or create new programs. Also, members and constituent group representatives will complain about the deterioration and availability of services through phone calls and letters to staff and the TRB.

Alternative #2: Increase RCS staff by 2 full-time permanent Associate Pension Program Analysts and increase counselor FTE's by 8. The RCS staff and counselors would be available to quickly provide services to the CalSTRS membership as well as be available for emergencies, such as



disability appointments and membership problems and concerns. Growing member populations, such as community colleges, could be met with the additional positions and FTE's. Counselors would be available to provide outreach, education and site visits that would include workshops and/or interviews in areas currently not being served.

G. TIMETABLE: Start hiring process and amendments to county contracts November 2001 in order to have staff and counselors in place by January 2002. Training would begin in January 2002. Staff and counselors would be trained and available for the March, April, May, and June interview rush.

H. RECOMMENDATION:

Alternative #2: Increase RCS staff by 2 and counselor FTE's by 8.



Title of Proposed Change

Staff Augmentation for the Public Service Office (PSO)

A. Nature of Request

In order to return to the performance goal of 95 percent of all calls answered within 3 minutes, the Public Service Office requires substantial staff augmentation and corresponding increases in operating expenses. Higher volumes of calls received, and an increase in the complexity of those inquiries, which results in more extensive research and time per member/call, have resulted in substantial increases in workload for PSO staff. The increase in call volume and complexity was generated by the benefit enhancements implemented in 2000 and 2001, including but not limited to, minimum guarantee, the exemptions to post-retirement earnings limitations, partial service credit purchases, longevity bonus, Defined Benefit Supplement Program, ad hoc increase, option beneficiary death benefit designation, minimum guarantee extension, and the Medicare Part A Program. As a result, PSO service levels have been reduced to 50 percent. In addition, implementation of the creditable compensation enhancements provided by AB 2700 becoming operative in July 2002, and the lump sum election provided by AB 2456 becoming operative in January 2003, will further increase the volume of calls to the PSO in 2002 and 2003. Pending legislation from the 2001 legislative session that is expected to be signed by the Governor this year for implementation in 2002, will impact PSO workload as well over the coming year, but the impact should be less severe.

B. BACKGROUND/HISTORY:

In order to return to the performance goal of 95 percent of all calls answered within 3 minutes, the Public Service Office requires substantial staff augmentation and corresponding increases in operating expenses. Higher volumes of calls received, and an increase in the complexity of those inquiries, which results in more extensive research and time per member/call, have resulted in substantial increases in workload for PSO staff. The increase in call volume and complexity was generated by the benefit enhancements implemented in 2000 and 2001, including but not limited to, minimum guarantee, the exemptions to post-retirement earnings limitations, partial service credit purchases, longevity bonus, Defined Benefit Supplement Program, ad hoc increase, option beneficiary death benefit designation, minimum guarantee extension, and the Medicare Part A Program. As a result, PSO service levels have been reduced to 50 percent. In addition, implementation of the creditable compensation enhancements provided by AB 2700 becoming operative in July 2002, and the lump sum election provided by AB 2456 becoming operative in January 2003, will further increase the volume of calls to the PSO in 2002 and 2003. Pending legislation from the 2001 legislative session that is expected to be signed by the Governor this year for implementation in 2002, will impact PSO workload as well over the coming year, but the impact should be less severe.

The Public Service Office provides customer service predominantly to CalSTRS members and beneficiaries. There are currently about 661,000 CalSTRS members which represents a 32.2 percent increase from 1998. The bulk of our workload is generated by the toll-free number. When a member calls the toll-free number, several options are available. Information may be obtained



through the Teletalk message system and the automated attendant (established in the 1980s), or interactive voice response (IVR, established in June 1999). In addition, PSO responds to e-mails generated by the CalSTRS website and general correspondence, and is also responsible for processing and establishing billings.

PSO staff who respond to member inquiries are referred to as a group as customer service representatives (CSRs). By classification, they include Pension Program Representatives (PPRs), and Senior Pension Program Representatives (SPPRs). PPRs are responsible for answering member inquiries on the toll-free number and billing assignments. In addition to responding to member calls on the toll-free number, SPPRs also respond to e-mails and general correspondence. The allocation of job duties by classification is set by the State Personnel Board.

The workload of the Public Service Office has been steadily increasing since 1998. In a performance analysis completed in January 2000, comparing workload and service level statistics for 1998 and 1999, substantial workload increases were identified. Correspondence received per month increased 5.1 percent, and the average number of billings requested and established per month rose 72.6 percent. Complaints received via e-mails rose 56.3 percent and use of the "complaint form" from the Info Now feature on the CalSTRS website rose 42.2 percent. In 1998, CSRs responded to an average of 16,724 calls per month and, in 1999, CSRs responded to an average of 17,001 calls per month. In 1999, PSO's performance level dropped slightly to 91 percent, correspondence goals were met during all but two months, and billings goals were met 89 percent of the time; however, frequent overtime was used to maintain this workload. Actual achievement of the newly-established e-mail goals is not available at this time. Increases in workload during 1999 are mainly attributable to legislation that allowed for the purchase of out-of-state and non-qualified service credit and requests for estimates which required approximately the same amount of time as a billing to prepare.

In 2000, an average of 20 CSRs responded to 17,362 calls per month and total calls for that period was 24,744 per month. In the fourth quarter, four CSRs were rotated into training positions for new staff and START implementation. Formal tracking of e-mail workload did not begin until January 2000. In 2000, 2305 e-mails were received, about 192 per month. During 2000, SPPRs responded to 2312, the difference being attributable to those carried over from 1999. The volume of correspondence in 2000 was 2008 received and 2041 completed. There were 7548 requests for billings received, and PPRs completed 7933. Despite workload increases and redirection of staff, PSO was able to achieve an average three-minute response rate of 95 percent during this period.

In January 2001, CalSTRS converted to a new database system (START), and began implementing many new benefit enhancements enacted through legislation passed in 2000. Database conversion issues together with member interest in the benefit enhancements, increased phone volumes and required staff to spend more time per call. Average minutes per call increased from four to six. Total number of calls, including CSR-assisted calls, Teletalk and automated attendant, rose to 25,207 per month. However, there were also 6797 abandoned calls, callers who were in cue but hung up prior to receiving assistance; and, there were 708,091 busy signals (due to repeat speed-dialing, the industry standard to determine the actual number of members calling, requires the 708,091 be divided by 8+), callers who could not access the telephone system at all. At the current volume, busy signals could easily reach 1.2 million by the end of 2001. For the period January through August 2001, an average of 19 CSRs responded to 14,164 calls per month. Large phone volumes, more time required per call, and a CSR vacancy rate of approximately 24% severely impacted PSO's ability to maintain a satisfactory response rate. Currently PSO has 18 CSRs taking phone calls on a regular basis, 3 part-time students, with 9 new part-time students in training.



The e-mail workload in 2001 also increased significantly. E-mail volume for the period January through August 2001 totaled 8523, or 1,065 per month. There currently are 15 SPPRs assigned to e-mail response. Correspondence, although relatively stable in volume, has been impacted by the high vacancy rate and PSO is currently operating at 60% of the correspondence response rate goal.

Average monthly billings have increased by 43% from 2000 to 2001. Due to lengthened telephone hours for CSRs from four hours to five hours per day, high vacancy rates and increases in billing requests, there is a billing backlog of more than 3000 requests. Three PPRs and 5 retired annuitants process billing requests at this time.

See attachments.

C. STATE LEVEL CONSIDERATIONS:
None.

D. JUSTIFICATION:

This proposal will fulfill the system's Business Plan Goal of providing continuous improvement in the delivery of benefits and services. With the increase of recent legislation, benefit enhancements, and members' demands for more information, the PSO must provide the necessary staff to keep up with the changes in benefits, absorb increased workload, and meet the members' demands for information from CalSTRS through several forms of media.

E. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:
Alternative 1. Do Nothing.

PROS

- No additional cost to the system.

CONS

- Service levels for phone calls, correspondence, emails, and billings would not be met and members would not receive timely responses to their information or billing requests.
- By December 2001, would only achieve a level of service of 70% of calls answered within 3 minutes.
- Backlogs would increase.
- Additional overtime would be required.

Alternative 2. Add 8 students to PSO staff.

PROS

- Would add more staff to answer phones and reduce the wait time for callers.
- Decrease in busy messages.
- Service levels for calls answered within 3 minutes would rise to 85%.
- Large recruitment pool of students through Hornet Foundation contract.

CONS

- Billing, email, and correspondence workload would not be improved.
- Billing, email, and correspondence goals would not be met.



-
- Increased training time due to students working half-time. Training is extended over a longer time period.

Alternative 3. Add 8 students now. Add 1 PPA and 2.5 PPR staff now and the same in FY2002/03.

PROS

- Would add more staff to answer phones, billings, emails, and correspondence.
- Service level objectives of 95% calls answered within 3 minutes would be reached by December 2001.
- Increased workload in all areas would be maintained by adding staff in FY 2002/03.

CONS

- Facilities may be inadequate.
- Increased training time due to students working half-time. Training is extended over a longer time period.

F. TIMETABLE:

Add eight students and 4 PY to PSO Staff in October 2001. Add 3 PY to PSO Staff in FY 2002/03.

G. RECOMMENDATION:

We recommend that Alternative 3 be adopted. This alternative allows CalSTRS to maintain its Business Plan goal, and to effectively implement and use staff to achieve service level objectives and meet the ever-increasing workload and demand for information.



Title of Proposed Change

Pension Program Representative – Office of Program Support Services

A. NATURE OF REQUEST:

To establish one full time permanent position at the Pension Program Representative level within the Office of Program Support Services (OPSS). This position will address the increased workload due to the implementation of new legislation. Additional resources are also needed for planned workload increases in several processing functions which will escalate once all benefit program areas resume historical production levels.

B. BACKGROUND/HISTORY:

New legislation and increased workload volumes have had a major impact on the OPSS. While we have attempted to keep up with these ever-increasing volumes, resources have been stretched to capacity. Service levels are falling and new workload is now beyond our ability to absorb.

A section of AB820 allowed partial redeposits of service credit, which has created a 72% increase in the billing workload or 38% of a personnel year. OPSS' role involves preparing relevant data and records for further processing by the Public Service Office. AB816 allows option payees to designate death beneficiaries. There are currently over 10,000 option beneficiaries eligible to participate. Each form must be reviewed, possibly returned for additional information and entered into the automation system.. One month into this program over 1,500 designation forms have been submitted which is 67% above the normal workload production for death beneficiary designations. While this initial volume of receipts may diminish over time, each year new benefit recipients will be able to submit forms for recording.

Defined Benefit Supplement (AB1509) and Creditable Compensation (AB2700) will have a major impact on the processing staff. Each Electronic Fund Transfer (EFT) form, Address Change Request, Tax Withholding Preference election, and Death Beneficiary Designation must be entered twice, once for the Defined Benefit account and once for the Defined Benefit Supplement account. This will double the amount of time staff currently spends entering information into the database. Currently, we are receiving approximately 74,000 documents per year.

We have had a heavy reliance on temporary staff to help ameliorate both the new and increased workload. Experience has proven that the available temporary workforce is too transient and does not have sufficient skills and abilities nor training time to perform the full range of duties required to address these long-term issues.

C. STATE LEVEL CONSIDERATIONS:

None- No other state agencies affected.

D. FACILITY/CAPITAL OUTLAY CONSIDERATIONS:



There is no impact on facility/ or capital outlay other than space required for one staff person.

E. JUSTIFICATION:

This proposal will fulfill the System's Business Plan Goal of providing continuous improvement in the delivery of benefits and services. With the increased workload generated by recent legislation and consequent increased demand by CalSTRS program and support divisions for transactional processing, OPSS requires the necessary staff to stay abreast of these volume upsurges.

The ability to maintain accurate member data and designations supports the business goals of delivery of benefits and services to members by providing accurate data and allowing staff to be more productive and efficient in the daily production work cycle.

F. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

1. Continue with existing staffing level. This will result in decreased cycle times and increased backlog.
2. Continue working overtime which is likely to result in burnout over a sustained period and adversely affect employee morale.
3. Continue using temporary help. This course of action is a poor long-term solution due to the limited skills and abilities of staff available at entry levels. Additionally, the range of work they can perform is restricted due to the limited time periods they can work. This allows little opportunity for higher skills development.
4. Augment staffing levels by one position effective 7/01/02 which will reduce the cycle time for processing transactions to acceptable levels.

G. TIMETABLE:

Effective 7/01/02. We will absorb the cost of establishing the position for the remainder of the current year.

H. RECOMMENDATION:

We recommend alternative 4.